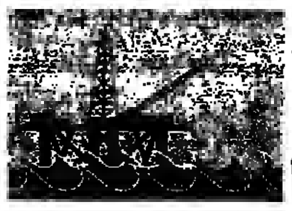
Eurobond trading
Why Warburg pulled out
Page 13



Troubled waters
What to do with an old oil rig
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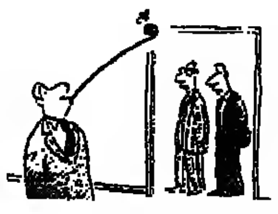

Getting ahead
Who climbs the corporate ladder?
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The UN at 50
In search of a safer world
Edward Mortimer Page 12

FINANCIAL TIMES

Europe's Business Newspaper — WEDNESDAY JANUARY 11 1995 — D8523A

Northern Telecom and BT in German telecoms link-ups

British Telecommunications and Northern Telecom of Canada said they were forming alliances with German industrial groups as part of an assault on the German telecommunications market, which is due to be liberalised in 1998. BT confirmed it would offer voice and data services in an alliance with Viag, while Northern Telecom of Canada is to link with Daimler-Benz Aerospace to market systems and products to telecoms operators in Germany and eastern Europe. Page 15; Editorial Comment, Page 13; Lex, Page 14; Nortel lifts profile, Page 16

Saatchi & Saatchi accused Maurice Saatchi, the advertising group's ousted chairman, of causing "as much damage as he can to this company while apparently claiming concern for clients and staff". More senior Saatchi resignations are due today. Page 15

Jardine's regret: British trading and investment company Jardine Matheson, which has quit the Hong Kong stock exchange, said it regretted any offence caused to China by the action and held out the possibility of seeking a stock exchange listing in China. Page 14; Observer, Page 13

'Great friend' of prince to divorce

Camilla Parker Bowles (left), described by the Prince of Wales as "a great friend of mine", and her husband Andrew are to divorce by mutual consent, solicitors for the couple said. Their 21-year marriage is ending after the Prince of Wales admitted having had three affairs with Mrs Parker Bowles, who is 47. She and Brigadier Parker Bowles, 55, have been living apart for two years. Page 8

Middle way eludes Scalfaro: Italy's main political parties staked out conflicting positions on how to resolve the country's government crisis in talks with President Oscar Luigi Scalfaro on the shape and aims of the next government. Page 2

Sweden to slash spending: Sharp cuts in Swedish public spending were announced by finance minister Göran Persson in a budget intended to lift the country out of the "economic morass" caused by heavy public debt. Page 14

China foresees 9% growth: China forecast that it could control economic growth at about 9 per cent this year and drastically reduce average annual inflation to about 15 per cent. Page 3

Aluminium at 4-year high: World aluminium prices hit the highest levels since September 1990 as stockpiles continued to shrink. Nickel was close to its highest levels for 4½ years. Commodities, Page 24

Trafalgar House deal attacked: The novel derivatives contract that will net UK shipping group Trafalgar House almost £8m ($12.5m) from its bid for Northern Electric was attacked for exploiting a potential loophole in the insider dealing regulations. Page 15; Lex, Page 14

Rubin go-ahead: The nomination of Robert Rubin, 56, as US treasury secretary was confirmed within minutes by the Senate Finance Committee. Fed warns Republicans on budget, Page 5

California tax-cut plan: Governor Pete Wilson of California, declaring the state economy now "booming" and "vibrant," has proposed a 15 per cent cut in personal and corporate income taxes, phased over three years. Page 5

Airport reopens: Newark International Airport, New Jersey, reopened after being closed for 13 hours because of a construction accident that cut three electricity cables and caused travel chaos. Almost 1,000 flights were cancelled.

Zimbabwe doctor found guilty: Richard McGown, a 58-year-old white Zimbabwean doctor at the centre of allegations of carrying out experiments on blacks was convicted in Harare of killing two patients by injecting them with high doses of morphine and through negligent post-operative care. He will be sentenced today.

Death sentences: Islamic fundamentalists Mohamed Nagi Mohamed Mustafa, 21, and Mohamed Ghafir Abu al-Farag Mahlawi, 22, were sentenced to death for their part in the attempted murder last October of the Egyptian Nobel laureate Naguib Mahfouz.

Priest murdered: Father Jean Struillou, 66, was shot dead in the sacristy of the Saint-Gabriel Church, Paris.

■ STOCK MARKET INDICES

FT-SE 100:	3,060.4	(+4.6)
Yield	4.21	
FT-SE Eurotrack 100	1,312.86	(-10.78)
FT-SE-A All-Share	1,516.56	(+0.1%)
Nikkei	19,501.45	(+56.53)
New York lunchtime		
Dow Jones Ind Ave	3,893.98	(+32.64)
S&P Composite	464.34	(+3.51)

■ US LUNCHTIME RATES

Federal Funds:	5⅞%
3-mo Treas Bills: Yld	5.874%
Long Bond	95 15/16
Yield	7.849%

■ LONDON MONEY

3-mo Interbank	6 3/16%	(same)
Liffe long gilt future:	Mar 108 3/32	(same)

■ NORTH SEA OIL (Argus)

Brent 15-day (Feb)	$16.21	(16.35)

■ GOLD

New York Comex (Feb)	$375.1	(374.0)
London	$374.7	(373.0)

■ STERLING

New York lunchtime:		
$	1.5568	
London:		
$	1.5602	(1.5545)
DM	2.3934	(2.4154)
FFr	8.2734	(8.341)
SFr	2.0046	(2.026)
Y	158.421	(156.712)
£ Index	79.2	(79.5)

■ DOLLAR

New York lunchtime:		
DM	1.5385	
FFr	5.319	
SFr	1.2877	
Y	100.275	
London:		
DM	1.5341	(1.5539)
FFr	5.303	(5.3659)
SFr	1.2846	(1.3034)
Y	100.26	(100.815)
$ Index	63.1	(63.4)
Tokyo close Y 100.13		

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft185	Neth	Fl 4.25	Singapore	S$4.30
Bulgaria	Lev100.00	Iceland	IKr220	Nigeria	Naira90	Slovak Rp	KSL60
Cyprus	C£1.10	India	Rs75	Norway	NKr16.00	S. Africa	R12.00
Czech Rp	CZK55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta225
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y500	Philippines	Peso50	Switz	SFr3.60
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 42,000	Syria	S£50.00
Finland	FM15	Kuwait	Fils625	Portugal (m'land)		Tunisia	Din1.500
France	FFr10.50	Lebanon	US$1.50		Esc230	Turkey	L40,000
Germany	DM3.90	Lux	LFr70			UAE	Dh12.00

Currencies fluctuate under pressure from political instability and budget deficits

Wave of crises hits world markets

By Motoko Rich and Peter Norman in London

Political instability and budget worries in parts of Europe and a growing crisis of confidence in Latin American markets buffeted world financial centres yesterday, leaving the D-Mark and Swiss franc the main beneficiaries of a flight to quality.

European currency traders had their first whiff of crisis since the near collapse of the European exchange rate mechanism in August 1993, as the politically vulnerable Spanish peseta and the Italian lira hit record lows against the D-Mark and the Swedish krona fell sharply on disenchantment with yesterday's Swedish budget.

The US dollar, which had slumped by two pfennigs against the D-Mark on Monday night, moved erratically, dropping to two-month lows against the resurgent D-Mark in European trading, but reaching a nine-year high against the Canadian dollar in spite of intervention by the Bank of Canada and higher Canadian short-term interest rates.

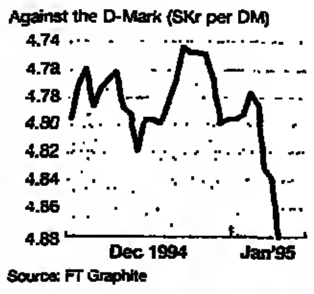
The aftershocks of the Mexican crisis were felt in Latin American equity and bond markets, with some price falls exceeding 10 per cent. The peso fell, trading at 5.7 to the dollar at midday New York time, down from Monday's close of 5.15 in London.

High and apparently intractable budget deficits were a common factor undermining yesterday's weak currencies – the peseta, lira, Swedish krona and Canadian dollar.

Spain's economic problems

Swedish krona

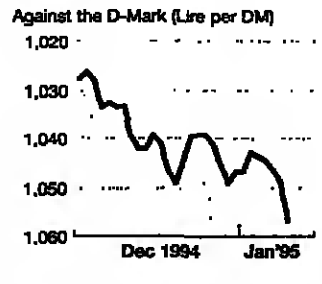
Against the D-Mark (SKr per DM)



Source: FT Graphite

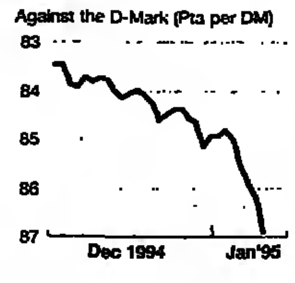
Lira

Against the D-Mark (Lire per DM)



Peseta

Against the D-Mark (Pta per DM)



were compounded by allegations – denied by Mr Felipé González, the prime minister – that his government had been involved in a death squad scandal, and rumours, also denied, that the peseta would be forced to leave the ERM. The Spanish currency fell at one point to Pta87.85 to the D-Mark later recovering to Pta87.09. The peseta almost came within four pesetas of its Pta91.912 limit in the wide 15 per cent ERM fluctuation band.

In Italy, the lira came under pressure as Mr Oscar Scalfaro, the Italian president, resumed talks on the political crisis. The currency probed record lows, falling to L1061 against the D-Mark in late London trading.

This week's Swedish budget failed to impress the markets because the most stringent measures were postponed until 1998. The Swedish krona weakened to SKr4.885 against the D-Mark from SKr4.841 on Monday.

In Canada, with separatist problems in Quebec and budget problems, the dollar suffered selling pressure in spite of reports that the Canadian central bank was buying Canadian dollars, and a half percentage point increase in the target rate band for overnight money.

The Swiss franc benefited from the safe haven effect even more than the D-Mark, closing against the German currency in London at SFr0.838 from SFr0.839.

Editorial Comment, Page 13; Swedish budget, Page 14; Lex, Page 14; Latin American markets, Page 15; Currencies, Page 30; World Stocks, Page 34

Russia will allow diplomatic mission to Chechnya

By Chrystia Freeland and John Thornhill in Moscow and Bruce Clark in London

Russia agreed yesterday to allow an international diplomatic mission to assess human rights violations and humanitarian needs in Chechnya, according to the representative of western-backed mediation effort.

The new Russian stance emerged at a meeting in Moscow between Mr Andrei Kozyrev, the foreign minister, and Mr Istvan Gyarmati, an envoy of the Organisation for Security and Co-operation in Europe.

The move marked an apparent step back from Russia's earlier insistence that the crisis in the breakaway region was a purely internal matter.

The 53-nation OSCE, whose members are committed to respecting human rights and international law, has little coercive power, but western governments have insisted that it is the best forum for dealing with the Chechen crisis.

Ambassadors from the OSCE, which groups the US, Canada, Europe and the former Soviet republics, are due to discuss Chechnya – and the possibility of sending a mission there – at a meeting in Vienna tomorrow.

Under OSCE rules, one of the tasks its missions can undertake is to "use its good offices and mediation services to promote dialogue among the parties".

However, Mr Gyarmati stressed the organisation's role as an inspector of human rights and requirements for disaster relief.

"We are going to send a mission to Chechnya in the near future," said Mr Gyarmati, a Hungarian diplomat. "Kozyrev in principle agreed to this," he added.

"The mission should collect as many facts as possible concerning human rights violations and the need for humanitarian aid." Reports from Grozny, the Chechen capital, said a 48-hour unilateral Russian ceasefire that was supposed to come into force yesterday morning broke down within hours.

However, Mr Victor Chernomyrdin, the prime minister, insisted that the authorities still wanted to calm the situation. "Our key task today is to stop the bloodshed and then create the conditions to make the situation and life normal for all residents of Chechnya without using force," he told a group of ethnic Chechens in Moscow.

Meanwhile one of Russia's most senior officials emphasised that President Boris Yeltsin was in full control of the decision-making process on Chechnya.

Continued on Page 14

Winter flood waters swept through the harbour area of Hamburg, washing over cars, parkland and industrial sites. Police said high tide and winds of over 120kph (75mph) had forced seawater to a height of up to 6m (19ft) above normal in the north German city. Picture: AP

Labour leader backs full role for Britain in Europe

By Kevin Brown, Political Correspondent, in Brussels

Mr Tony Blair yesterday set out the most pro-European programme ever endorsed by a British Labour party leader in a move to exploit the Conservative government's divisions on Europe.

In a long-planned speech to businessmen in Brussels, Mr Blair formally committed Labour to the principle of European monetary union, a common foreign and security policy, a more powerful European parliament and discussions on joint military forces.

Aides said the timing of the speech, at the conclusion of a Labour conference on European policy, reflected Mr Blair's determination to offer a "reforming pro-European" vision of the EU.

They drew a sharp contrast between Mr Blair's committed pro-European approach and the increasingly Eurosceptic tactics adopted by the prime minister, Mr John Major, to bridge divisions between Tory MPs.

The speech was also conceived as a pro-European riposte to the robustly Eurosceptic approach set out six years ago in Bruges by Mrs Margaret Thatcher, prime minister at the time, which continues to underlie the views of many rightwing Tories.

Mr Blair accused Mr Major of leaving the UK isolated within the EU by pretending that nothing would come of the debate on emu or the intergovernmental conference planned for next year.

"From Germany, through The Hague and Brussels to Paris and Madrid, people are debating monetary union and convergence. It is a dialogue which we either join and influence now or stand outside and fail to influence once again," he said.

Mr Blair said Labour would consider a referendum if it were necessary to allow Europe to "move forward". But he said Labour would play a full part in any future discussion on economic convergence. "Monetary union has up to now been driven solely by political will. It must now be driven by economic reality," he said.

Mr Blair left little doubt about Labour's commitment to ever-closer union. "European integration cannot happen by stealth, by closet agreement among governments. It must be with the people's consent. And that is why pro-Europeans must be persuaders in the debate about Europe's future," he said.

Mr Blair called for:

- Action to give teeth to the EU's common foreign policy. "This does not require new structures or institutions, but a common act of political will."
- Talks to find "new ways of giving reality" to joint military forces, while remaining within the "crucial" Nato alliance.
- Institutional reform of the EU to make the Council more transparent and give the European Parliament powers "to enhance democracy in the Union".
- Comprehensive reform of the common agricultural policy, and common standards to make the EU single market a reality.

Japan and US in deal to open up Tokyo markets

By Michiyo Nakamoto in Tokyo, Nancy Dunne in Washington and Richard Waters in New York

Japan and the US yesterday agreed on financial reforms to provide greater access for foreign institutions in Japan's pension fund, mutual fund and corporate bond markets.

The text of the agreement, part of broader negotiations on opening Japanese markets, is expected to be released today at a meeting in Washington between US president Bill Clinton and Mr Tomiichi Murayama, the Japanese prime minister.

Mr Masayoshi Takemura, Japan's finance minister, said the agreement "has significant implications, not only for the US-Japan economic relationship, but also for moves towards liberalisation of international financial trading".

Under the agreement, reached after 15 months' negotiation, Japan has pledged:

- To allow foreign investment advisory companies to manage Japanese public pension funds – only trust banks and life insurance companies now have access to this market.
- To ease restrictions on foreign managers of Japanese funds – for example, allowing them to invest a larger proportion of their portfolio in equities.
- To review the introduction of new financial instruments, such as derivatives, which have been slow to win approval in Tokyo.
- To examine reforms of the corporate bond market that would increase opportunities for foreign securities houses.

Fidelity Investments, the biggest fund management group in the US, said the agreement would open up large parts of the Japanese market.

Mr Bob Pozen, the Boston-based company's general counsel, warned that details of the agreement, which have still to be worked out, could determine how easy it will be for foreigners to manage a broader range of investments in Japan.

Until now, Mr Pozen said, the

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Trade negotiators hit difficult target, Page 6

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NEWS: EUROPE

Russian reformers losing sell-off battle

By Chrystia Freeland in Moscow

Conservatives intent on renationalising privatised assets in Russia appear to be winning a power struggle within the government, according to documents obtained yesterday. The apparent ascendancy of hardliners in Moscow, and the failure of attempts by reformers within the government to hold them back, threatens to undermine Russia's still fragile market economy.

The battle over the future of Russia's economic reforms is being waged principally in the Ministry of Privatisation, which was until recently the stronghold of reformers. But last Thursday Mr Vladimir Polevanov, the newly appointed minister of privatisation who has pledged to renationalise privatised companies, issued orders barring the Russian contract workers and foreign advisers who have played a key role in Russia's swift sell-off programme from entering his ministry.

The effect of the order, according to officials within the ministry, has been to purge the "old guard" which presided over Russia's dramatic privatisation drive.

Mr Anatoli Chubais, the minister who spearheaded the sell-off programme but who left in autumn to become first deputy prime minister, attempted to countermand Mr Polevanov's order. In a letter sent on Friday to the new minister, Mr Chubais accused him of "crude violations of normal practice" and demanded that Mr Polevanov rescind his order immediately and inform him of his compliance.

In a sign of the growing strength of the hardline faction in the government, Mr Polevanov, who nominally holds a subordinate office, has not yet responded to Mr Chubais' instructions. Mr Polevanov's order remained in force yesterday.

The victory for the hardliners in last week's skirmish at the ministry suggests Mr Polevanov could muster the support required to reverse at least part of Russia's sell-off programme and might also reflect the broader success of conservatives in their efforts to take command of the Russian government.

"He [Mr Polevanov] is part of the ascendant group trying to reverse privatisation," a government insider said. "They talk about national security, but what they really want is a piece of the economic pie which they did not get in the first place [when state companies were initially sold off]."

Government officials say the conservatives in the power struggle are being led by Mr Oleg Soskovets, a deputy prime minister with close connections to Russia's cash-strapped defence sector. Prime Minister Victor Chernomyrdin who, as the former head of Gazprom, Russia's largest company, represents the faction within the government which has benefited hugely from privatisation, is at the forefront of the reform group.

"It is a struggle between Chernomyrdin and Soskovets and they are both battling for control over the president," an official said.

"The battle is not yet over but its results should become clear after the conclusion of the conflict in Chechnya."

Kinnock sets out ambitious Brussels agenda

By Lionel Barber in Brussels

Mr Neil Kinnock, the UK commissioner-designate for transport, yesterday marked his official debut in Brussels with a pledge to tackle airport delays caused by Europe's competing systems of air traffic control.

In a confident performance before members of the European Parliament, Mr Kinnock, former UK Labour party leader, outlined an ambitious agenda for his five-year term in office, assuming that MEPs approve his nomination with the rest of the new European Commission next week.

MEPs reacted warmly as Mr Kinnock combined flashes of Welsh wit with a command of the mind-numbing jargon of European transport policy – the result of weeks of swotting aimed at defusing criticism that his lack of ministerial experience leaves him ill-qualified for the Brussels job.

In his testimony yesterday, Mr Kinnock set out several priorities in order to develop road, rail and sea transport systems which he declared should be integrated, competitive, environmentally sensitive and safe:

- A document this year setting out plans for the creation of a Europe-wide system of air traffic control.
- A strategy paper to ensure the survival of the depleted European maritime industry, with specific proposals in 1996.
- A new "Citizens' Network" to make transport systems more attractive to the travelling public.
- A crackdown against "cowboy operators" on Europe's roads and sea-lanes, and new proposals to make better use of inland waterways.

Mr Kinnock adopted a tough line against future state aid to European airlines. Without referring to the pending case of Iberia, the beleaguered Spanish carrier, he warned that subsidies could be contemplated only under "unforeseen and exceptional" circumstances.

"In the event of state aid being allowed, it would only be under strict conditions with strict requirements for monitoring," he said.

Mr Kinnock could not, however, resist one sideswipe at the ruling UK Conservative party and its Euro-sceptics.

Asked by one MEP whether he supported the single institutional framework or an *à la carte* EU where member states chose the areas in which they intended to co-operate, Mr Kinnock replied he strongly supported the former approach. "In order to safeguard sovereignty, there has to be a pooling of sovereignty," he said.

Pedro Solbes: 'intervention does not resolve anything'

Bank of Spain steps in to halt peseta slide

By Tom Burns in Madrid

The Bank of Spain intervened yesterday to halt a steep slide by the peseta against the D-Mark, amid signs of an increasing struggle by the government to manage a political crisis created by a judicial investigation into its alleged involvement in a shadowy death squad.

Prime minister Felipe González angrily denied during a television interview on Monday night that his administration had backed an undercover war against Eta Basque separatists 10 years ago, but said he would take the consequences "if the judges establish any sort of responsibility (of the government's role)."

In a hectic day for the peseta, Finance Minister Pedro Solbes said he had issued no instructions to buttress the currency and the Bank had acted according to its own criteria. "I don't favour intervention because it does not, in the end, resolve anything."

The Bank is understood to have acted when the peseta touched Pta88 against the D-Mark. "At that point, the speculators had the peseta's ejection from the ERM in their sights," said one dealer. Under ERM rules, the peseta's floor against the D-Mark is Pta91.91.

After the intervention, the peseta recovered to Pta87.2 against the D-Mark, sharply down on Monday's fix of Pta85.7. The currency was trading at Pta84 to the D-Mark two weeks ago before the inquiry into the government's alleged role in the undercover death squad sparked market rumours of the government's instability.

The general index of Madrid's Bolsa closed at 278, down from Monday's 279.5, after heavy selling that at one stage dragged the index down to 273. Brokers said the market had recovered because of strong buying by domestic institutions, led by the main domestic banks.

"The (foreign) markets are perceiving things that, frankly, I don't understand, because they do not correspond to reality," said Mr Solbes. "The government is stable, and is going to serve out its term; it has an agenda of important measures to put through parliament and the economic fundamentals are good."

Rumours were wholly misplaced that Spain's debt rating would be downgraded; any belief the peseta would be forced to leave to ERM was "quite unjustified." In the absence of politically-fuelled market sentiment, the peseta's proper rate of exchange "would be at Pta85 to the D-Mark".

The government was encouraged by statistics yesterday which showed registered employment falling in December, industrial output growing in October, and a reduced budget deficit due to lowered spending and increased revenue.

Pressure of the legal investigations remained high as the judge investigating the death squad scandal remanded a former interior ministry official in custody on charges he had paid money into Swiss bank accounts allegedly opened on behalf of those involved in the undercover war.

The Catalan nationalist party, which has supported the minority socialist government for the past 18 months, pledged continuing support for Mr González.

Political compromise eludes Scalfaro

By Andrew Hill in Milan

Italy's main political parties yesterday staked out conflicting positions on how to resolve the country's government crisis during talks with President Oscar Luigi Scalfaro on the shape and aims of the next government.

Mr Silvio Berlusconi, Italy's caretaker prime minister, and his allies told Mr Scalfaro they would back "immediate elections" or an interim government headed by Mr Berlusconi. But leaders of the opposition Democratic Party of the Left emerged from the talks saying the Italian head of state supported their idea for a non-party government, charged with a limited legislative agenda.

The declarations seemed to make a compromise impossible, and further unsettled financial markets. The Italian lira touched a record low of L1,059 against a strong D-Mark, before recovering slightly. Italian equities also fell.

The chance of a compromise brokered by the parties themselves evaporated on Monday following a stormy discussion between Mr Berlusconi and Mr Scalfaro, and a late-night meeting of coalition allies. The prime minister's refusal to back an interim government which was not committed to early elections ended the faint chance of an entente between the Popular party, the former Christian Democrats, and the outgoing coalition, which could have rallied parliamentary support.

Now the only margin for manoeuvre in the coalition parties' demands is the possibility that media magnate Mr Berlusconi could be replaced as prime minister by someone from the outgoing coalition.

In the last few days Italian employers and unions have also warned of the danger that real economic recovery could be undermined if this phase of political uncertainty were prolonged. Mr Antonio Fazio, the governor of the Bank of Italy, reminded markets on Monday that short-term interest rates could be raised to combat inflation.

Analysts believe, however, that it would be difficult for the central bank to enact such a threat now without deepening the crisis.

Mr Scalfaro, who will continue talks with smaller Italian parties today, is widely expected to propose a solution to the crisis before the end of the week. The outcome could be affected, however, by a decision of the constitutional court on the legitimacy of holding a referendum on electoral reform, also expected this week. If the court rules that a referendum can be held, and voters back the abolition of proportional voting, then the date for new elections could be set back until autumn. Legislation would have to be passed by parliament and constituency boundaries would have to be redrawn before the polls.

The deepening split in the populist Northern League, which was a member of the coalition formed after last March's elections, will also complicate Mr Scalfaro's calculations. Mr Umberto Bossi, the League leader, led a revolt against Mr Berlusconi which triggered his resignation before Christmas, but about a third of League deputies have rallied behind Mr Roberto Maroni, the interior minister and deputy League leader, and are backing Mr Berlusconi.

Serbs pledge to open Sarajevo roads

Shuttle diplomacy seeks to break deadlock over implementation of four-month ceasefire

Bosnian Serb leaders yesterday announced they would soon open access roads to the capital, Sarajevo, in a move to break the deadlock over the implementation of a four-month ceasefire, writes Laura Silber in Belgrade.

The announcement follows a week of UN shuttle diplomacy between Pale and Sarajevo aimed at getting the warring sides in Bosnia to respect the cessation of hostilities. It reversed the earlier Serb refusal to open the so-called "blue routes" to Sarajevo until Bosnian-government forces complied with the truce by withdrawing from demilitarised heights south-west of the city.

"Despite the fact that the Moslems keep refusing to withdraw their forces from the illegally occupied ground on Mt Igman and Mt Bjelasnica, the Serbs are nevertheless going to open up the routes for civilian traffic in and out of Sarajevo by the end of the week," the Bosnian Serb statement said.

Efforts to cement the ceasefire yesterday were thwarted when rebel Serb leaders from Croatia cancelled a planned visit by Gen Sir Michael Rose, UN commander in Bosnia, to their stronghold of Knin. They have not signed the truce, and have been involved in fighting in north-western Bihac in neighbouring Bosnia. Sarajevo radio yesterday reported an upsurge of fighting in the region.

In Belgrade, envoys of the Organisation for Security and Co-operation in Europe (OSCE) yesterday described as "disappointing" their meeting with Serbian officials, including President Slobodan Milosevic.

Diplomats were surprised that Serbian authorities showed no hint of compromise even though they had invited the OSCE delegation. "At first they [the OSCE envoys] thought it was a game of good cop, bad cop. But then it turned out to be three bad cops," a western diplomat said of the meeting.

The remnants of Yugoslavia, comprising Serbia and Montenegro, were suspended from the Conference on Security and Co-operation in Europe (CSCE) in 1992.

In return, Belgrade in 1993 expelled CSCE observers from regions of the country mostly populated by minorities, such as ethnic Albanians, Moslems and Hungarians.

Over the past six months Mr Milosevic has signalled his interest in rejoining the international community. The west has praised his efforts to secure a settlement in Bosnia.

But yesterday's meeting made clear that he does not intend to mirror his flexible stance towards Bosnia when it comes to matters at home. Indeed, Belgrade has recently clamped down on the independent media and stepped up repression of ethnic minorities.

Envoys of the five-nation Contact Group are due to visit Belgrade today after meeting in Paris to consider ways to restart the peace process. Representatives from the US, Russia, France, Britain and Germany yesterday met Mr Richard Holbrooke, US assistant secretary of state, who had just visited Sarajevo.

Members of the Moslem-led Bosnian government criticised what they consider a shift in Washington's policy towards accepting the status quo in Bosnia.

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French mosquitoes buzz state carrier

After the dogfight over access to Orly airport came the fare war. And now the battle between Air Inter, France's state-owned domestic airline, and its private sector rivals has landed in the courts, writes John Ridding in Paris.

In the latest stage of the struggle to prise open France's internal air routes, Air Liberté filed suits on Friday against Air Inter at a Paris commercial court and with the European Commission in Brussels arguing that its state-owned rival is abusing its dominant position to protect its market.

For the past 10 days Air Liberté has been competing against Air Inter on the Orly-Toulouse route, one of the two domestic routes ordered opened to competition by the European Commission last year. Along with Orly-Marseilles, the other route opened to competition, it is the most profitable in the internal French airline market.

For the time being, passengers on the Orly-Toulouse route will reap the benefits. Since Air Liberté launched its services at the beginning of the month, a fare war has sent prices tumbling on the route.

The private airline started flights with a special FFr285 (£34) single ticket. Air Inter retaliated by slashing its tourist return ticket to FFr450 from FFr790. Last Thursday Mr Lofti Belhassine, the chairman of Air Liberté, reacted by offering a FFr360 return ticket, valid on a limited number of days. Air Inter again responded, with a "special promotion" return ticket which costs FFr280 and is available until February 1.

"We have shown that we are ready to defend our position", says Air Inter. "Air Liberté has chosen to attack and we will not decline the contest."

But Air Liberté is crying foul. Mr Belhassine argues the Paris commercial court should force Air Inter to offer its special low price for the Toulouse route for all domestic destinations and that it is subsidising operations on this flight from monopoly internal routes.

The private airline is also asking the European Commission to cancel its September decision to allow a FFr20bn state aid package to Air France, the state-owned sister company of Air Inter.

The EU made liberalisation of French air space a condition for approving the aid to the loss-making national carrier. It ordered the government to open Orly to foreign airlines and to allow private carriers to operate the Toulouse and Marseilles routes.

Several other private sector carriers, dubbed mosquitoes because of their small size and nuisance factor for Air Inter, play down the threat of a price war extension. "It is unreasonable and unsustainable", says Mr Alexandre Couvelaire, chairman of Euralair, one of the oldest private airlines.

He says his company will compete on improved services, such as increased leg room and television screens for passengers, when it launches its Orly-Toulouse flights in the second half of next month. "These prices will not last because you cannot sell at below cost," he adds.

Air Outre Mer, which has been flying the Orly-Marseilles route since the start of the month, has said it will not engage in a broader fare war.

Much will depend on the arrival of TAT European airlines, which is 49 per cent owned by British Airways and which is set to sharpen competition by launching services on both the Orly-Toulouse and Orly-Marseilles routes in spring.

"The priority for all of them is to maximise passengers," an industry analyst maintains. "Either they do this through better services or lower costs or both. The more competitors there are, the more losers there will be. But the winner should be the passenger."

EUROPEAN NEWS DIGEST

Greece to vote on Mitsotakis

Greece's ruling Panhellenic Socialist Movement yesterday officially proposed the suspension of corruption charges against Mr Constantine Mitsotakis, the former conservative prime minister. Parliament will vote next Monday on the proposal, which is backed by Prime Minister Andreas Papandreou but opposed by several senior Pasok deputies.

Mr Mitsotakis, now a backbencher with the opposition New Democracy party, says he wants the trial to go ahead as planned later this month so that he can clear his name. The former prime minister is accused of ordering illegal phone-taps of political opponents and taking a $22.5m bribe in the privatisation in 1992 of Heracles General Cement, the state-owned cement producer.

Legal analysts have said a conviction is unlikely as an official inquiry turned up little evidence to support the allegations. However, suspending the charges would open the way for Pasok to win support from conservative deputies when parliament votes for a new president in April. If Pasok cannot find the 10 extra votes needed to elect a president, a general election must be held. *Kerin Hope, Athens*

Balladur defends reform record

French prime minister Edouard Balladur (pictured left) said yesterday that he led "the most reforming government in decades" and would continue to pursue reforms in the four months remaining before the May presidential election. In a clear response to implicit criticism by presidential candidate Mr Jacques Chirac that he is a do-nothing conservative, Mr Balladur cited planned measures to help French youth, to reduce unemployment and to give the European Union a boost under France's presidency. Mr Balladur is expected formally to announce his presidential bid late next week.

He yesterday hinted that the campaign could get dirty. Responding to a call by Mr Alain Juppé – the foreign minister and the only heavyweight supporter of Mr Chirac in the cabinet – for "a code of good conduct" between presidential rivals within the ruling coalition, Mr Balladur said: "Don't let us be under too much of an illusion, but it might be useful to continue to talk about it". *David Buchan, Paris*

UK backs Cyprus for EU

Britain said yesterday it would support the accession of Cyprus to the European Union "in due course", but also stressed the need to seek a settlement to the island's Greek-Turkish stand-off. UK officials said that message was given to President Glafcos Clerides at his meetings with Mr John Major, the UK prime minister, and Mr Douglas Hurd, the foreign secretary. The Cypriot government has insisted that its EU application should not be contingent on the settlement of the island's Greek-Turkish problem. Mr Hans van den Broek, the EU's external affairs commissioner, said last week it was "theoretically possible" but "undesirable" for the Greek-Cypriot government to join the Union without a settlement. *Bruce Clark, London*

Dutch act on laundering

The Dutch central bank yesterday launched a clampdown on money-laundering, saying that more than half the foreign exchange bureaux in the Netherlands could face closure. The central bank took over supervision of the nation's 110 exchanges on January 1 and gave them until March 31 to register and be vetted to win permission to stay in business.

The new law lets the central bank withhold bureaux registration even if it suspects money-laundering. Foreign exchange bureaux had not previously been regulated but they fell under suspicion after their numbers suddenly mushroomed. "We think more than half of these offices could disappear because they won't be able to comply with the new law," said a central bank spokesman. Many bureaux appear to be operated by foreign-registered entities and it is often hard to establish the identity of the ultimate owners, the central bank spokesman said. On Monday ABN Amro bank said it was duped into laundering tens of millions of guilders for a Surinamese cocaine cartel. *Reuter, Amsterdam*

Civil servants brush up image

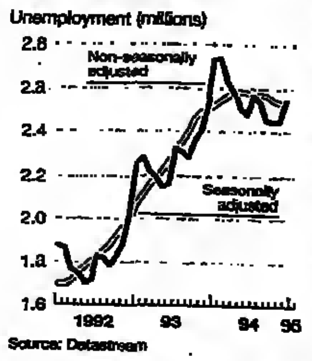
Germany's Association of Civil Servants (DBB) yesterday launched a DM3m ($1.9m) advertising campaign in an attempt to improve their image and pre-empt any attempts to erode their privileges. The offensive follows signs of renewed determination by Mr Manfred Kanther, interior minister, to cut the 1.6m-strong civil service, improve its efficiency, and modernise it. Mr Kanther's proposals, partly agreed in November during the coalition talks between Chancellor Helmut Kohl's governing Christian Democrats and the Free Democrats, the junior coalition partner, include cutting the civil service by 1 per cent a year, introducing flexibility into posts, which traditionally have been permanent, and gradually introducing pension contributions. *Judy Dempsey, Bonn*

ECONOMIC WATCH

German jobless rate edges up

Western Germany

Unemployment (millions)



Source: Datastream

Unemployment in western Germany rose by a seasonally adjusted 1,000 in December, although economists had expected the continued economic recovery to produce a further fall. This follows declines of 11,000 in November and 24,000 in October. However, the number of people on short-time working fell by 33,000 to 117,000 because of unusually warm weather. In eastern Germany, unadjusted unemployment was 1.015m after easing below 1m in November for the first time in 3½ years. The east German jobless rate was 15.2 per cent (15.1 per cent in November) against 8.2 per cent (7.9 per cent) in the west.

Also announced yesterday were revised November money supply figures, showing a slower growth rate than provisionally estimated. The Bundesbank said M3 rose at a seasonally adjusted, annualised rate of 5.8 per cent, bringing it within the 1994 target range of 4-6 per cent. This compares with the initial estimate of 6 per cent. *Andrew Fisher, Frankfurt*

■ Consumer prices in France held steady for the second month in a row in December, producing the lowest yearly inflation rate in nearly four decades. Provisional figures showed the rate for the whole year at 1.6 to 1.7 per cent compared with 2.1 per cent in 1993.

■ Norway's Consumer Prices Index was flat last month, after rising 0.1 per cent month on month in November. Year on year the rise was 1.9 per cent compared to 1.8 per cent in November 1994 and December 1993.

■ The Spanish unemployment rate fell 2.56 per cent to 16.51 per cent of the workforce in December, down from 16.79 in November (when it fell 2.60 per cent) and 17.5 per cent in December 1993.

China seeks to restrict growth to 9%

By a correspondent in Beijing

China forecast yesterday that it could control economic growth at about 9 per cent this year and drastically rednce average annual inflation to about 15 per cent.

But the projection by the State Statistics Bureau and the Chinese Academy of Social Sciences, a government think-tank, will be a difficult order for a government which has proved unable to slow price increases and has been wide of its overly optimistic targets. The government is divided over curtailing the money supply and inflation and propping up loss-ridden state enterprises out of fear of social unrest.

In 1994 the consumer price indax rose 24.2 per cent, its highest level since the Communists came to power 45 years ago and more than double the official target of 10 per cent. The statistics bureau has projected that high inflation will continue into the early months of this year. Gross domestic product grew 11.8 per cent in 1994, down from 13 per cent the previous year, yet still overshooting the government goal of 9 per cent.

"Inflation will be controlled at some 15 per cent this year," said the official New China News Agency, suggesting that sharp price rises since the second half of 1992 have hit a peak. Pledging to curb inflation this year, the forecast predicted the highly charged economy could achieve the long-sought "soft landing" mainly by tightening financial and monetary controls and mixing market forces and government edicts.

Money supply will be maintained at 1994 levels, and interest rates will play a more "flexible" role in navigating the Chinese economy out of the inflationary danger zone, the report said. The People's Bank of China, the central bank, recently raised lending rates to financial institutions and indicated that furthar increases were in the offing.

The two government forecasting agencies projected that investment in fixed assets this year will rise to Yn1,900bn (£145bn), 20 per cent higher than 1994. Last year, fixed asset investment rose 28.5 per cent, prompting the government this month to ban big new investment in construction projects in 1995. Industrial output is projected to rise 13 per cent in 1995, down from 18 per cent last year.

Reuter adds: The first batch of foreign banks to be set up in the capital will not include Sino-foreign joint ventures, according to Mr Di Weiping, deputy director of the People's Bank of China's foreign financial institutions department.

"We prefer to approve the establishment of foreign bank branches, and especially branches of leading foreign financial institutions," he said. "In our experience the joint-venture banks have not been so successful."

Of the 118 foreign financial institutions operating elsewhere in China at the end of 1994, 99 were branches while only five were Sino-foreign joint venture banks.

'I'm glad my BCCI ordeal is nearly over'

Andrew Jack, recently in Jeddah, hears Sheikh Khalid reflect on the collapsed bank

Sheikh Khalid hin Mahfouz takes a long time to respond when asked to reflect on his involvement with the collapsed Bank of Credit and Commerce International.

"It was a very painful experience, especially to see your allies become enemies," he said in a reference to BCCI's executives and US and British bank regulators. "I'm glad it's nearly over.

"You are an example of your family. You have to ha strong in front of your customers and in social life, but inside you are personally shattered."

He broke his silence recently after details emerged of the $245m (£158m) payment he has made to settle outstanding claims made by BBCI's liquidators against him and National Commercial Bank, Saudi Arabia's largest commercial bank, banker to the Saudi royal family, and controlled by his family.

The settlement is expected to be ratified by the Luxembourg courts within the next few days, along with a $1.8bn settlement from the government of Abu Dhabi, BCCI's majority shareholder.

This will bring to an end two of the most important outstanding obstacles to a pay-out to the bank's creditors.

Of all the significant elements of the BCCI story, the involvement of NCB is one of the most complex and, at least in the west, one of the least understood.

NCB planned a 30 per cent investment in BCCI in 1986, at which point Sheikh Khalid, chief operating officer and architect of the purchase, became a director of BCCI.

He also personally acquired a substantial stake in First American Bank of the US and placed money on deposit with BCCI.

The result was that after BCCI was closed in a global sweep by banking regulators in July 1991, Sheikh Khalid faced a *criminal indictment in New* York, and civil action in five jurisdictions from BCCI's liquidators at accountants Touche Ross, totalling more than $30bn.

His worldwide assets were frozen, he was accused of falsifying audit documents, concealing activities from regulators and a series of fraudulent trading allegations.

He has now settled the claims against him and NCB for a fraction of the total $30bn claimed, while maintaining his innocence. "I tell you honestly,

Sheikh Khalid: seen as a 'convenient target'

in God's name, I did not have any suspicions about the bank," he says.

"The settlement is purely a commercial decision to get rid of what is hanging over my head. My accounts are frozen, my movement restricted, I have been prevented from running my businesses. But I'm not willing to admit to something I did not do."

Sheikh Khalid was responsible for linking BCCI with NCB, the bank created hy his father in the 1950s. He had ambitious international expansion plans and became tempted by BCCI in the early 1980s.

"You would need 20 years and a lot of errors to build an infrastructure like they had." he said.

He joined BCCI's board as a non-executive director in 1986 and remained in place until 1989. But within a year of the original investment he had taken the decision to unwind NCB's investment.

Sheikh Khalid says that the "quality of discussion" at board meetings was low, with some directors falling asleep, and others discussing topics including "mini-skirts".

He also says the information presented to the directors was "too perfect and well-prepared".

He stresses that he called during his time on the board for cost cutting, the appointment of internationally recognised hankers to the board, and shifting regulation of BCCI to the UK or the US.

But he maintains he had no fundamental suspicions about BCCI and that NCB's decision to divest was driven hy the need for "family unity" and the result of a "game of power" – a reference to what has been reported as concern from others in his family that he was taking too many ambitious decisions unilaterally.

He stresses that if he had any knowledge of the frauds at BCCI, he would not have held more than $200m on deposit with the bank at the time of its closure.

"I decided to go into BCCI with less family discussion than others in my family would have reason to expect with such a large move.

"In the end, family harmony meant more to me than sticking with the investments."

Publicly at least, he refuses to criticise Mr Agha Hassan Abedi, founder of the bank. "If he had not become sick I believe what happened would not have happened," he says.

"We should not judge a person just by one aspect of his life."

Like the government of Abu Dhabi which became the majority shareholder in BCCI in 1990, he remains bitter that regulators decided to shut the bank. "It was a great mistake," he says. "They could have helped the bank without closing it."

He cites the US government's intervention to support Chrysler during times of past financial trouble as an example, hinting that the closure reflected a hostility in western eyes to an eastern institution.

Professor Laurence Tribe, a leading US constitutional lawyer and head of Sheikh Khalid's defence team, says the allegations brought in criminal and civil charges and above all, to support a UK court-imposed injunction to freeze his assets, "were based on flimsy evidence."

Prof Tribe, himself a Jew, said he was not easily convinced to take on a case in the Arab world, and ultimately did so because the details "triggered a sense of extreme injustice and unfairness".

He said Sheikh Khalid "played by the book", seeking proper professional advice at the time of his investment in BCCI, then co-operating with US regulators after the collapse, willingly providing information.

"Once he had been identified as a convenient target, officials played on his inability to travel [due to heart problems] to label him a fugitive from justice and left him with no rational choice than to pay."

Prof Tribe argues that the case highlights a lack of cross-cultural understanding and an international financial and regulatory system more adapted to pursuiog and cootrolling corruption than to defending individuals' rights.

INTERNATIONAL NEWS DIGEST

Bhutto sees end of US tensions

Ms Benazir Bhutto, Pakistan's prime minister, said yesterday that the tensions in relations with tha US, triggered more than four years ago by an aid cut-off, were over. Speaking after the arrival of Mr William Perry, US defence secretary, Ms Bhutto said the countries had broadened their relations to areas such as co-operation in international peacekeeping and encouraging American investments in Pakistan.

Western diplomats said Mr Perry would probably convey fears over the proliferation of missiles and the nuclear build-np in South Asia, but would not try to seek unilateral measures from Pakistan. The US halted aid amid suspicions that Pakistan had acquired the capability to produce nuclear weapons. On arrival Mr Perry said he had come to promote a broader security dialogue and discuss future United Nations peacekeeping operations. *Farhan Bokhari, Islamabad*

Thai minister may have to go

The Thai cabinet has left the country's constitutional tribunal to decide whether Mr Thaksin Shinawatra should resign as foreign minister. The position of Mr Thaksin, a successful businessmen, has been put into doubt by parliament's approval of constitutional amendments that ban cabinet members from holding a direct or indirect interest in government business concessions.

Mr Thaksin built Thailand's biggest telecommunications company, which has won many government contracts. Although he resigned the chairmanship of his flagship Shinawatra Computer & Communication company in favour of his wife before taking up his cabinet post late last year, under Thai law a husband and wife are considered one legal entity. The two hold just over 50 per cent of the flagship company alone, a stake valued at about $2bn. *William Barnes, Bangkok*

Angolan generals to seek peace

Angola'a military chief and his Unita rebel counterpart agreed yesterday to make new efforts to halt military actions thet have blighted a ceasefire in their long war, according to General Chris Garuba, the senior United Nations officer in the country. Gen Joao de Matos, government chief of staff, and Gen Arlindo Chenda Pena, Unita military chief, "are going to be passing instructions down to their forces on the ground to stop all hostila activities," Gen Garuba said yesterday. They had met in the central highlands town Chipipa to work out ways to reinforce the ceasefire signed in the Zambian capital Lusaka in November. *Reuter, Chipipa*

S Africa's police chief resigns

General Johan van der Merwe announced his resignation as South Africa's police commissioner yesterday, leaving the path open for the appointment of a new commissioner to help restructure the country'a fragmented and politicised police force. The general, a former head of the security police during the apartheid era, has been under pressure from the government to step down because he had been slow to embrace the new political order. He has also been an outspoken opponent of the idea of establishing a Truth Commission to investigate apartheid crimes. No replacement has been announced. *Mark Suzman, Johannesburg*

'Red Prince' of Laos dies

Prince Souphanouvong of Laos, who fought with Vietnamese and Lao guerrillas against the US in Indochina and later became his country's president, has died at 86. He became president after the communist victory in Indochina in 1975 and held the post until 1986 when he stepped down on health grounds. The so-called "Red Prince" led the communist Pathet Lao for more than two decades of guerrilla warfare against the right-wing government of his half-brother, Prince Souvanna Phouma. The struggle dominated the landlocked kingdom from its independence from France in 1953 to the communist victory in December 1975. *Reuter, Bangkok*

■ Taiwan will liberalise its forward foreign exchange market to allow dealing by companies involved in forex services, overseas securities trading and overseas direct investment from January 16, according to a central bank statement. Currently, trading is restricted to importers, exporters, transport and non-life insurance businesses. *Reuter, Taipei*

■ Kazakh President Nursultan Nazarbayev has issued a decree making the republic's tenge currency the only legal means of commercial payment. *Reuter, Alma Ata*

NEWS: THE AMERICAS

Investors get jitters over Mexican banks

Devaluation has aggravated the system's problems, reports **Ted Bardacke**

It is not easy being s Mexican banker in these days of devaluation. Just ask Mr Angel Rodriguez of Banpais. Last Friday, as rumours swept the market that his mid-size bank was having trouble paying off some suddenly very expensive dollar obligations, shares of Banpais fell 46 per ceot.

Forget that Banpais claims it suffered no exchange rate losses during the recent devaluation. Forget that analysts say tbe bank's balance sheet, while oot in the best shape, is certainly not the worst they see in the Mexican banking system. The reality is that both investors and the Mexican governmeot are so jittery about the health of Mexican banks that at the momeot any titbit of information can send bank stock plummeting.

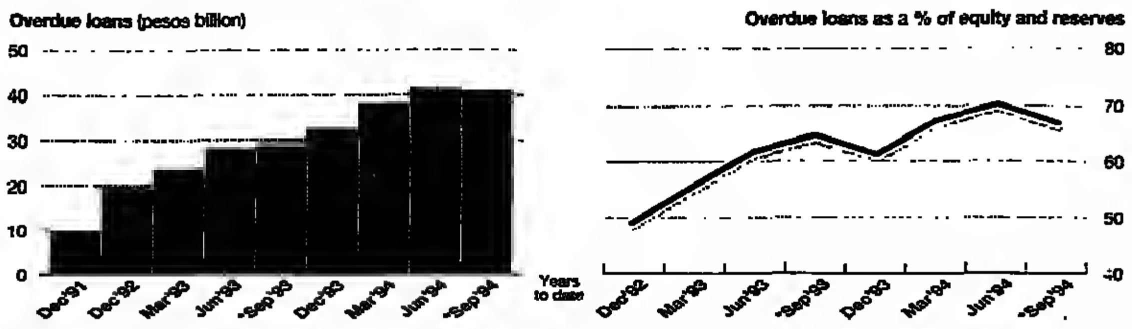
"Unless interest rates fall below 38 per cent," says Mr Rafael Bello, s banking analyst at the New York brokerage Morgan Stanley, on s day when short-term rates hit 50 per cent, "tbe best scenario for Mexican banks is for inflation and devaluatioo to get out of hand so they can make money on the overnigbt rates."

The governmeot has takeo swift measures to help the banks through the crisis, but still "there is no way out except by going through a difficult process", says Ms Susana Eddy, an emerging markets equity analyst at Citicorp.

As a whole, banks were hurt less by the immediate effects of the devaluation than were other sectors of corporate Mexico. Governmeot limits oo banks' ooo-peso exposure and gains in curreocy speculation during tbe confusion whicb accompanied tbe first days after devalustioo helped keep exchange rate losses at Mexican banks to a minimum.

But banks are now confronting two big structural problems which are likely to become more acute: falling levels of capitalisation and an increase in the oumber of bad and overdue loans.

Mexican banks: loan problems grow



Source: Salomon Brothers calculations based on National Banking Commission

*Figure does not include Cremi and Union

"These were already problem areas for Mexican banks before the devaluation. Now they are even worse," says Mr José Garcia Cantera, a Mexican banking analyst at Salomon Brothers in New York.

Capital ratios have fallen for a variety of reasons. Meanwhile bank assets tied up in government securities and other equity positions lost value, thus worsening capital ratios. In addition, some foreign currency lines of credit have been called in and dollar-denominated certificates of deposit are coming due, putting pressure oo liabilities.

The rise in interest rates, suppression of real wages and expected economic slowdown are together likely to increase the amount of overdue loans beld by the banks. Many consumers and businesses will be unable to meet their more costly obligations, while no overall growth in loans – because of a lack of capital and economic growth – means banks will be unable to substitute old bad loans with new good ones.

Yet there are many mitigating factors whicb at an individual bank level will determine bow scarred a particular bank will be wben it emerges from this crisis. The timing of maturity oo dollar-denominated debt, breadth of deposit base, quality of outstanding dollar loans and perceptions about the liquidity situation of a particular bank will all factor in how well individual institutions are positioned to deal with the crisis.

Most analysts say the two undisputed leaders of the system, Banamex and Bancomer, ought to do all right. "It's not just that they are considered too large to fail and that they are the best reserved and the best capitalised," says Ms Eddy. "They also have a great franchise and a large deposit base. If anyone is putting money into the system, it is going there."

These two banks are also likely to have the flexibility necessary to bold down interest rate increases on their loan portfolio to avoid big growth of their overdue loans. Ms Eddy notes that banks with comparatively narrow deposit bases and whicb manage their funding througb tbe sbort-term markets are likely to be hit hard by the rise in interbank interest rates.

The mid-size national banks such as Serfin, Comermex and International, which account for 24 per cent of the system's assets, face more difficulties. All three have a large number of overdue loans and are undercapitalised, with many analysts speculating that they have already falleo below the required capitalisation level of 8 per cent as a result of the devaluation.

Executives at these banks declined interview requests and did not return pbone calls. Serfin's recent capital increase oo tbe open market weot undersubscribed by 30 per cent.

Mexico's smaller regional and specialised banks present a mixed bag. Banorte, inburss and Atlantico are seen as stroog as a result of high capitalisation ratios and conservative lending policies. However, publicly available numbers indicate that other smaller banks will require some form of government assistance.

Institutions that request help from the government will get it through two mechanisms being developed by Banco de Mexico, the central bank. New capital oeeds – unable to be filled by a market "that bas dried up", according to a Banco de Mexico official – will come from 10-year subordinated debt issued by the banks and purchased by tbe country's Bank Savings Insurance Fund. The new debt will be issued in pesos, backed by stock of the issuiog bank and may only be used to augment capital.

To tbose banks that are facing short-term liquidity problems in foreign currency, Banco de Mexico will be "a lender of last resort" of dollars at interest rates of around 20 per ceot. Ceotral bank officials hope this will encourage commercial banks to purchase as many dollars as they can oo the opeo market before turning to the government for belp.

Some suggest that this will also lead Mexican banks to seek foreign equity partners, taking advantage of proposed new rules that would allow foreigners to take majority positions in domestic banks.

"Banks like Serfin, Comermex and International would be well advised to get additional equity stakes. That would be a better solution than paying those rates ... and the confidence created by that move would help the wbole system," says Citicorp's Ms Eddy.

Some analysts say the government is unlikely to be able to push through regulations and interest foreign bankers quickly enough for this optioo to be a viable short-term solution.

"The only real option may be to invite foreign investment," says Morgan Stanley's Mr Bello, adding that tbe problems are immediate. "But wbo is going to accept that invitation right now?"

Gloom continues as investors spurn tesobonos

By Stephen Fidler, Latin America Editor

Gloom deepened oo Mexico's financial markets after investors spurned offerings of sbort-term dollar-denominated paper by Mexico's central bank yesterday.

The poor response to the auction was despite measures outlined to investors to make the instrumeots – payable in pesos, even though deoominated in dollars – more attractive.

Among them, the governmeot told investors it would sell dollars to holders of maturing *tesobonos* through the state-owned Nacional Financiera, so investors would be able to avoid chasing dollars in the foreign exchange market, thereby paying large spreads and commissions to banks.

Mexican banks will also be reqoested to exchange some $5bn they hold in *tesobonos* in exchange for writing down obligations with the central bank, and the government has said it will buy *tesobonos* in the secondary market.

The Mexican governmeot and international investment banks are working oo creating a series of oew financial instruments tn encourage investors to stay with Mexican securities. However, these instrumeots are unlikely to be available for at least two to three more weeks.

The gloom failed to lift in part because investors remain extremely worried about whether Mexico can repay its short-term financial obligations without resorting to currency cootrols.

The central bank offered $200m eacb of 28-day and 91-day *tesobonos* – to cover $683m of maturing paper – but was able to sell only $16.23m and $47.54m respectively. Rates rose sharply oo 28-day paper to 20 per cent and on 90-day paper more than 7 percentage points to 19¼ per cent.

According to figures compiled by the Bank for Internatiooal Settlemeots, Mexican banks have $26bo in interbank liabilities due within one year.

Figures from the Washington-based Institute for International Finance think tank, issued in May, sbowed Mexico's short-term peso and foreign currency obligations beld by foreigners amounted to $67bn.

Mexico's central bank said oo Mooday it bad drawn on credit lines of more than $10bo from the US and Caoadian governmeots, while its reserves fell by more than $500m last week. Meanwhile, Mexican domestic interest rates remained high, witb rates oo peso-denominated *Cetes* quoted above 50 per cent.

Argentina to 'raise $3bn in sell-offs'

By David Pilling in Buenos Aires

Argentina bopes to raise $3bn this year through the completion of its privatisation process and will accept debt paper io paymeot for assets, Mr Domingo Cavallo, Ecooomy Minister, said in New York yesterday.

His announcement, came during a three-day visit to the US aimed at persuading investors that the Argeotine economy was more "structurally sound" than Mexico's.

But markets remained initially unimpressed, with the blue-chip Merval index taking another battering in early trading yesterday, dowo 7.7 per cent by 2pm. Bank stocks were hit particularly hard, with investora coocerned about a possible banking crisis.

Argentina hopes to sell several bydroelectric plants including Yacyretá, the huge dam owned jointly by the governments of Argentina and Paraguay, whose approval will be needed before the sale can proceed. Argentina also intends to privatise three nuclear power stations, as well as a petrochemical plant at Bahia Blanca.

Funds from the privatisation of strategic holdings – to be complemented, should market conditions permit, by the sale of the government's remaining stakes in largely privatised companies – will not be used for current expeoditure, but to consolidate Argentina's $70bn public debt and to build up a budget surplus, estimated at $2.7bn.

Analysts said that the prediction of a surplus sent a "clear message" of fiscal rectitude, but remained sceptical about Argentina's ability to deliver, particularly in an electioo year. "I think there are going to be some questioo marks over the surplus," said ooe analyst.

Of tbe $5.2bo in debt servicing required by Argeotina this year, Mr Csvallo sald $2bo would be raised tbrough short-term government notes, for wbich there was still an appetite. A further $2.3bn would come largely from longer-term domestic debt instruments.

Cavalto: will accept paper

Because of the sharp fall in Argeotioe bond prices, Mr Cavallo said that Buenos Aires only intended to issue $900m in new international debt this year, compared with some $3bn last year. No new external debt would be placed in the first quarter, owing to the extreme turbulence of markets.

Mr Cavallo admitted that the slowdown of capital inflows could affect economic growth, originally estimated at 6.5 per cent this year. Io adverse circumstances, growth could fall to 4.5 per cent, he said, which would be the lowest level since 1990. Many private economists regard sucb targets as ambitions, and even before the Mexican crisis were predicting 1995 growth of 3.5-6.0 per cent.

Argeotina's trade deficit, which reached $5.7bn last year, should shrink to $4.7bn in 1995, with exports expected to rise 20 per cent, Mr Cavallo said. If growth were squeezed by reduced capital inflows, the trade deficit could fall to as much as $1.5bn.

TENDER NOTICE

UK GOVERNMENT ECU TREASURY NOTES

For tender on 17 January 1995

1. The Bank of England announces tha issue by Her Majesty's Treasury of ECU 1,000 million nominal of UK Government ECU Treasury Notes, for tender on a bid-yiald basis on Tuesday, 17 January 1995.

2. The ECU 1,000 millinn of Notes to ba Issuad by tender will be dated 24 January 1995 and will mature on 27 January 1998.

3. Notas will bear an annual coupon payable on 27 January, starting on 27 January 1996. Payment for Nntes allotted in the tender will be due on 24 January 1995.

4. All tenders must be made on the printed application forms evaileble on request from the Bank of Englend. Completed application forms must be lodged, by hand, at tha Bank of England, Customer Settlemant Services, formerly Securities Office, Threadneedle Street, London not later than 10.30 a.m., London time, on 17 January 1995.

5. Tenders must be made on e yield basis (calculated on the basis nt a month of 30 days and a year of 360 days) rounded to twn decimal places. Each epplication form must state the yield bid and tha amount tendared for.

6. Eech tender et eech yield must be made on a separate applicatinn form for a minimum of ECU 500,000 nominel. Tenders ebove thie minimum muet ba in multiples of ECU 100,000 nominal.

7. Notification will be despatched on the dey of the tender to applicants whose tendars have been accepted in whole nr in part. For applicants whn have requested credit nf Notes in global tnrm to their account with ESO, Euroclear or CEDEL, Notes will be cradited in the relevant system egeinst paymant. For applicants who have requested definitive Notes, Notes will be available for collection at the Customer SettlementServices at the Bank nt England efter 1.30 p.m. on 24 January 1995, provided cleared funds have been credited to the Bank of England's ECU Treasury Notea Account Nn. 59045828 with Lloyds Bank Plc, International Banking Division, PO Box 19, Hays Lane House, 1 Hays Lane, London SE1 2HA. Dafinitive Notes will be eveilebla in amounts of ECU 1,000, ECU 10,000, ECU 100,000 and ECU 1,000,000 nominal.

8. Her Majesty's Treasury reserve the right to reject any or part of any tender.

9. The arrangements for the tender are set out in more detail in tha informatinn Memnrandum on the UK Government ECU Treasury Note programme issued by tha Bank nt England on behalf of Her Majesty's Treasury on 9 January 1992 and tha supplements thareto. All tenders will be subject to the provisions of the Information Memorandum end tha supplements thereto and to the provisions of this notice.

10. On 24 Januery 1995, ECU 650 millinn nnminal of Notas will be allntted tn the Bank of England for the account of the Exchange Equalisation Account ("EEA"). ECU 100 million Nominal of the Nntes will be retained by the Bank of England for the account of the EEA end may be evailable for sale and repurchase operations with the market makers listed in tha Information Memorandum. ECU 550 million nominal of these Notes will be held by the Bank of England for the account of the EEA with the intention that thay will ba sold in subsequant tendars; these Notes will not be sold other than by tender.

11. Copies of the Information Memorandum and the supplements thereto mey ba obtainad at the Benk of England. UK Gnvernmant ECU Traasury Notes are issued under tha National Loans Act 1968.

Bank of England
10 January 1995

Fed warns Republicans on budget

By George Graham in Washington

Mr Alan Greenspan, chairman of the Federal Reserve board, yesterday warned the new Republican Congress that financial markets would react badly to any attempt to tinker with the methods used to estimate the effect of legislation on the budget deficit.

Mr Greenspan, backed by Mr Paul Volcker, bis predecessor at the Fed, and by Mr Robert Reischauer, head of the Congressional Budget Office, warned that Republican efforts to include possible supply-side effects in budget estimates could weaken the markets' confidence in Congress's determination to keep the budget deficit under control.

Mr Greenspan told Congressman John Kasich, the new chairman of the House budget committee, that if the financial markets lost confidence in the integrity of budget scoring procedures, they would push interest rates higher – more than offsetting any gain from the "dynamic scoring" Mr Kasich wants to use.

The esoteric science of budget scoring has taken on huge significance in recent years because of the rules Congress has imposed on itself in an effort to curb its own profligacy. Under the 1990 Budget Enforcement Act, any legislation that would reduce government revenues or increase mandatory spending must be offset by otber revenue increases.

The scorekeepers at the CBO and the Joint Committee on Taxation have infuriated Republican supply-side economists by counting a capital gains tax cut as increasing revenue only in the short term. Republicans say lower capital gains taxes would provide better incentives for investment and increase revenue in the long term.

If the CBO and the taxation committee predict that large revenue losses would result from the Republicans' Contract with America, they could doom much of the programme.

Mr Kasich was met by grim predictions from Senator James Exon, senior Democrat on the Senate budget committee, of a repeat of the soaring deficits that resulted from the misplaced supply-side faith of the early 1980s.

Mr Greenspan was less discouraging, but said that while full dynamic estimates of the budget consequeoces of individual initiatives should be the goal, that goal "ultimately may be unreachable."

"The estimation of full dynamic effects requires a model that hoth captures micro- and macroeconomic processes and prodnces reliable long-run forecasts of economic outcomes. Unfortunstely, uo such model exists," Mr Greenspan said.

Mr Reischauer, sbortly to step down as head of the CBO, acknowledged tbst current budget-scoring practices, which assume that the overall growth rate of the economy remains unchanged, had their limitations. They were, however, simple and consistent.

Mr Volcker was blunter. "My conclusion is very simple. Quantification of the effects of tax changes on the medium term growth of the economy has uo solid theoretical or empirical base. To make such necessarily speculative assumptions in revenue estimating is simply an invitation to wishful thinking."

Historian blights start of Gingrich reign

By Jurek Martin in Washington

The office of the Historian of the US House of Representatives is not exactly an illustrious American institution. Only founded in 1983 and with a modest staff of four, it performed its archival duties in comfortable obscurity. Now it is blighting the first week of Congressman Newt Gingrich's reign as the mighty Speaker.

On Monday night, after a day of bubbling controversy, Mr Gingrich fired Prof Christina Jeffrey, a former teaching colleague from Georgia, from the position of Historian to which he had appointed her only last week.

The reason was an opinion offered by Ms Jeffrey in 1986 in her capacity as an adviser to the government on a proposed history junior high school course on moral values. She wrote that the curriculum outline on the Holocaust did not adequately reflect "the Nazi point of view, however unpopnlar" – nor of the Klu Klux Klan – and the whole course should focus more on the transgressions of communist regimes, such as China and Russia.

Mr Gingrich's office said the Speaker had been unaware of this opinion, perhaps because Ms Jeffrey had subsequently married and changed her surname. She had insisted earlier on Monday that she would not resign in the face of criticism by Democrats, led by Congressman Charles Schumer of New York and several Jewish organisations, that such views were unacceptable.

Ms Jeffrey did not appear to hring distinguished academic qualifications to the joh, as had her predecessor, a former professor from the University of Maryland. Her undergradnate degree came from Plano University in Texas, now defunct and never accredited by the education department, ber PhD from the University of Alabama and she had taught at two little known colleges in Alabama and Georgia.

But the second of these, Kennesaw State, is where Mr Gingrich taught his course in American history.

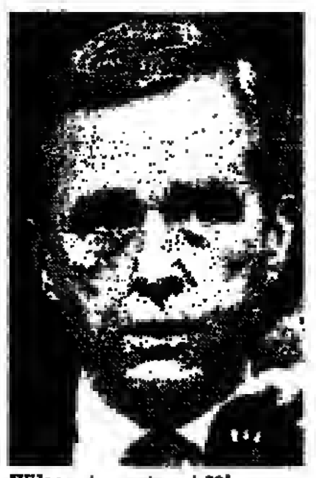
Extensive news reporting of the affair is unlikely to improve relations between Mr Gingrich and the establishment media. Rarely a day passes without him attacking the "cynical oews culture" of Washington and oo Monday be said he was boycotting the network Sunday morning programmes for a month because they were consumed by "nitpicking arguments."

California governor seeks 15% tax cut

By Jurek Martin in Washington

Governor Pete Wilson of California, declaring the state economy now "booming" and "vibrant," has proposed a 15 per cent cut in personal and corporate income taxes, phased over three years from next year and costing $9bn.

In the annual state-of-the-state speech in Sacramento Mr Wilson also firmly aligned himself with prevailing Republican orthodoxy by promising cuts in welfare programmes, reforms in the legal system, a further crackdown on illegal immigration, the replacement of tenure for teachers with a merit pay system, and tougher policies against crime.


Wilson: tax cut cost $9bn

He also demanded less red tape and proposed a state constitutional amendment to limit "the damaging and irritating hidden tax of hureaucratic rules and regulations."

His speecb was widely seen as a potential platform for the launch of a bid for the Republican presidential nomination in 1996. If so, he went to some length to eradicate the impression of moderation left by his first term – in which be had been forced by the state hudget crisis to increase taxes and frequently spoke of the need for compassionate treatment of the less privileged.

Mr Wilson continues to maintain puhlicly that be will not seek national office, either at the top of the ticket or as vice presidential candidate. Yet California is the biggest presidential prize and no Republican and only three Democrats this century have won the White House without carrying it.

One reason for tbe governor's reluctance may he the fact that if he runs for national office be could be forced at some stage to step aside for the balance of his four-year term in favour of his lieutenant governor, Mr Gray Davis, wbo is a Democrat.

Additionally, Mr Willie Brown, powerful Democratic Speaker of tbe California assembly, is still skilfully manoeuvring to hold on to his position, in spite of the new Republican majority in Sacramento.

Mr Davis said he liked much of Mr Wilson's speecb, but Mr Brown thought it full of "gloom and doom" and promised opposition.

Mr Wilson justified tbe tax cuts, at the top of tbe agenda of many Repuhlican governors, with evidence of tbe state's economic revitalisation and by tbe need to stop individuals and business from moving elsewhere.

"Death and taxes may he inevitable," he said, "but not taxes as high as California's," estimated hy an advisory panel to be 19 per cent above the national state average.

He said the $9bn cost of the tax cuts would be more than offset by an estimated three year $37bn increase in revenues generated hy tbe improved economy, of which $12bn would be ploughed back into tbe state school system.

AMERICAN NEWS DIGEST

Orange County lawsuits widen

The first lawsuit has been filed by an investor over the $2bn of losses sustained by Orange County in the bond markets last year, it emerged yesterday. The action, by the county's Schools Excess Liability Fund, claims unspecified damages from Mr Robert Citron, the former treasurer of the southern California county which filed for bankruptcy in early December. It also names Merrill Lynch, which sold many of the investments on which the county lost money, along with Mr Michael Stameson, the Merrill executive who handled the bank's relationship with the county. The suit, filed on Monday, is a class action which seeks to represent all 187 of the individual municipal authorities and other bodies whose money was held in the county's investment pool. The Schools Excess Liability Fund itself had invested around $47m in the fund.

The action alleges breaches of state and federal securities laws, as well as breach of fiduciary duty and negligence. "They did not disclose the true nature of the pooled investment activities," said Mr William Audet, a partner of the Lieff Cabraser & Heimann, the San Francisco law firm which filed the action. "They omitted material information relating to the investments, particularly in the 1994 period."

Merrill said of the action: "We haven't seen it yet. But we are confident that we acted professionally and properly in our business dealings with Orange County." It added that Mr Stameson remained "an employee in good standing". Some 10 different class actions have already been filed by holders of the county's bonds. Further class actions are also expected from other investors in Mr Citron's investment pool. *Richard Waters, New York*

US wholesale prices edge up

US wholesale prices rose modestly in December, the Labour Department said yesterday, putting a cap on another year in which inflation remained largely tamed. The producer price index rose 0.2 per cent in the last month of the year, putting the price level for all 1994 just 1.7 per cent ahead of 1993 when the annual rate was up only 0.2 per cent. It said the "core" rate of wholesale prices, which excludes the volatile food and energy sectors, also rose at a moderate rate, moving up 0.2 per cent.

In November, overall wholesale prices rose by 0.5 per cent, largely because of a jump in petrol costs, while the core rate, which economists believe more closely reflects underlying price pressures, rose only 0.1 per cent. *Reuter, Washington*

Senate body backs Rubin

US treasury secretary nominee Mr Robert Rubin won swift confirmation from the Senate finance committee yesterday only minutes after the panel's members had begun to question the former Wall Street executive. At the urging of the panel's chairman, Senator Bob Packwood, an Oregon Republican, Mr Rubin was confirmed in a unanimous voice vote hy the committee after members of both parties praised him strongly.

"The president has chosen wisely," said Senator Alfonse D'Amato, a New York Republican who introduced Mr Rubin to the panel. Mr Rubin is expected to win approval from the full Senate. In his opening statement, Mr Rubin offered to work with the new Republican-controlled Congress in shaping economic policy. "I am pragmatic, and I believe that differences can usually be resolved, not always but usually," he said. *Reuter, Washington*

Canada call rate up

The Bank of Canada tightened monetary policy yesterday in response to an accelerating slide in the Canadian dollar. The central bank raised its trend-setting band for the overnight call rate to 5.75-6.25 per cent from 5.25-5.75 per cent. The Canadian dollar was trading at a nine-year low of 70.75 US cents at midday yesterday, compared to almost 73 cents at the beginning of December.

Economists differ over whether yesterday's action marks a long-term shift in policy, or a belated response to the currency's weakness. The Bank of Canada has up to now resisted following interest rate rises by the US Federal Reserve, on the grounds that unemployment is higher and inflationary pressures are more subdued in Canada. Investors were growing increasingly concerned, however, that the central bank was encouraging growth as part of Ottawa's goal of lowering the federal budget deficit from about 5.4 per cent of gross domestic product to 3 per cent by the fiscal year ending in March 1997. The markets would prefer to see the deficit targets met mainly by public spending cuts. *Bernard Simon, Toronto*

Californians flee floods

A week of torrential rain has produced the worst flooding in 10 years in Northern California, forcing thousands to flee their homes for higher and drier ground. The region has been pounded by seven days of rain, including more than 17 inches in 48 hours in some places. High wind downed power lines serving about 50,000 homes and toppled redwood trees.

Three deaths were blamed on trees and power lines falling on vehicles, one in Monterey County, one in Sonoma County and one in southwestern Oregon. Some people had to flee homes and cars mired in water and mud up to their windowsills. Homeless people were driven from encampments along the Ventura and Santa Clara rivers. *AP, Forestville*

NEWS: WORLD TRADE

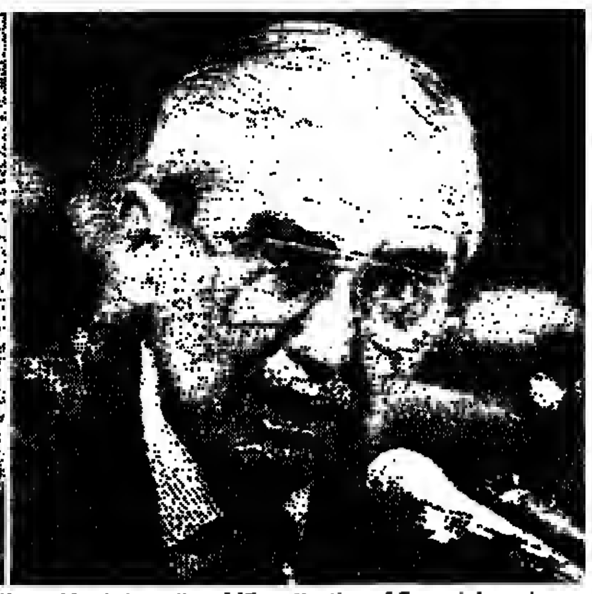
Trade negotiators hit a difficult target

US institutions welcome financial services reform package that ends more than 15 months of talks

Japanese financial markets have long been a large but awkward target for US trade negotiators. The cosy relationships of corporate Japan, and regulations drafted and interpreted by a conservative ministry of finance have been obstacles between foreign institutions and Japanese money.

But yesterday Washington and Tokyo seemed to agree that they had put together a financial services reform package that would finally give foreign institutions fair access to Japanese pension funds, mutual funds, and corporate bonds.

Japan's finance minister Masayoshi Takemura said the agreement was of crucial significance not only to US-Japan relations but also for the liberalisation of International financial transactions. While the outgoing US Treasury Secretary, Lloyd Bentsen, has stated that the outcome in the talks on financial services could create the momentum necessary to achieve a multilateral agreement in the Gatt.

Bentsen (right) and Takemura see the agreement as prompting wider international liberalisation of financial services

Apart from enthusiasm from US institutions, the importance of the proposals could be measured by the negative reaction of some Japanese bodies. Mr Takehide Sakurai, chairman of the Life Insurance Association of Japan said: "I'm afraid it will have quite an impact."

In the $1,000bn pension fund market, foreign trust banks which have been allowed to operate in Japan have made little headway although there are no legal restrictions against foreign trust banks managing pension funds. Foreign trust banks in Japan manage only 1.7 per cent of public pension funds and 0.3 per cent of private pension funds which are generally awarded on the basis of corporate relationships, says the US Treasury.

Investment advisors have been allowed to manage a limited portion of corporate pension funds since 1990. Pension fund sponsors have been required to obtain a licence from the finance ministry in order to employ investment advisors. The finance ministry has already announced elimination of rules which had restricted access by investment advisory companies to funds established after 1990.

Furthermore, for private funds foreign managers have been hampered by asset allocation restrictions which limit the proportion of investments a fund can hold in foreign securities, as well as In equities.

At present, each fund manager hired by a fund can invest only 30 per cent of the investments in equities, a condition which hampers foreign firms which typically do not have a big presence in the Japanese fixed income markets.

Yesterday's agreement should mark a significant step towards dismantling these obstacles.

In future, asset allocation rules will be relaxed. The 30 per cent limit will not be applied to individual fund managers, making it easier for foreign firms to win business as specialist equity managers.

Investment advisory companies will be allowed to manage public pension funds through "limited partnerships" to be formed with trust banks and insurers. Investment advisory companies will also be given access to the corporate pension fund and stock-centred investment trust markets. The strict distinction between investment advisory business and investment trust will be relaxed.

A further area being made more accessible to foreigners is the $500bn Japanese mutual fund business (known as unit trusts in the UK.) At present, a mutual fund operation must be run entirely separately from other investment management operations, according to US fund managers Fidelity Investments, with its own staff and capital of at least $3m.

The extra cost creates a barrier to entry for potential new managers. In future, investment managers will be able to run mutual funds out of their own existing discretionary investment management businesses.

US concerns that close Japanese business relationships form a structural barrier for foreign fund management will be partially addressed by the introduction of new assessment mechanisms for foreign penetration of the Japanese market.

However, the analysis will be restricted to past data, such as the growth in corporate bond and euro-yen bond issuance or the amount of pension management business that has gone to investment advisory companies, rather than forward looking targets.

Cross-border financial transactions, which have been tightly regulated by the ministry of finance, will also be deregulated. The Japanese government has promised to review regulations and practices concerning corporate bonds, after much criticism from US and European securities houses about slow development of the corporate bond market.

The US also hopes that resulting changes will address concerns about the difficulty foreign houses face in winning underwriting business in Japan. "There is no corporate security issue with a lead underwriting assignment to a US firm," one US official has said.

Japan is further considering measures to make it easier for foreign companies to introduce new financial instruments, which have been obstructed in the past by a conservative Japanese finance ministry.

Many of the changes are in line with recommendations which had been made by independent bodies financial analysts and had the backing of the Ministry of Health and Welfare which has been concerned about current restrictions on fund management had affected the performance of pension funds. Its concern is linked to the growing pension burden from Japan's rapidly ageing society.

Reporting by Michiyo Nakamoto in Tokyo, Nancy Dunne in Washington and Richard Waters in New York

WORLD TRADE NEWS DIGEST

Hyundai invests in Belgium

Hyundai Heavy Industries, part of South Korea's Hyundai industrial group, is to build an excavator factory in Geel, north-eastern Belgium. The plant, Hyundai Heavy's first assembly unit outside South Korea, will employ up to 500 people when it opens late this year. Announcement of the investment follows the launching of an anti-dumping complaint by European excavator manufacturers against South Korean importers, including Hyundai.

Hyundai chose the Geel site after looking at locations in Northern Ireland, northern England and the Netherlands. The factory will initially have capacity to build 300 to 400 machines a year, and has a maximum capacity of 1,500. This could rise to 4,000 units if the second factory is added. The machines would be exported to the rest of Europe, the Middle East and Africa. *Andrew Baxter, London*

TNT and Schenke in alliance

TNT Express Worldwide has agreed an alliance with Germany's Schenke International under which the two companies will tender jointly for logistics contracts in the Asia-Pacific region and the Americas. TNT Express Worldwide, owned jointly by TNT and GD Net, a consortium of five post offices in Europe and Canada, specialises in the overnight delivery of small packages. Schenke deals with larger freight and general cargo items.

The two companies have been working together on contracts where both services are required, and have now decided to formalise arrangements. In Singapore, TNT said yesterday that customers often needed bulk inventory shipments brought to a regional warehouse by Schenke, and then overnight deliveries to other parts of the relevant region. The companies are looking at similar arrangements in Europe. *Nikki Tait, Sydney*

New trade post for Kim

Mr Kim Chul-su, dismissed last month as South Korea's trade and industry minister, yesterday assumed the newly-created post of international trade ambassador in an attempt to keep alive his candidacy for head of the World Trade Organisation. Mr Kim has the almost solid backing of the Asian region for WTO director-general, but he acknowledged yesterday that Mr Renato Ruggiero, the former Italian trade minister, has stronger support. Mr Carlos Salinas, the former Mexican president, is a third candidate.

Mr Kim lost his trade and industry portfolio in a cabinet reshuffle, but President Kim Young-sam emphasised that he retained the confidence of the government. *John Burton, Seoul*

Yamaha in Vietnam venture

Yamaha is negotiating with the Vietnamese government to produce motorcycles in Hanoi in a joint venture with a local public enterprise. Sales of small motorcycles in Vietnam are expected to rise from 200,000 to 1m a year in the next few years, said Mr Takehiko Hasegawa, Yamaha president. He said the Japanese company intends to capture 20 per cent of the market for 100cc models. Honda, whose motorcycles dominate the region, opened an office in Ho Chi Minh city last year and is considering production in Vietnam.

Meanwhile Nissho Iwai, a trading house, and Suzuki Motor plan to set up a truck and van assembly plant in Vietnam in a joint venture with Veam Vikyno Factory, a state owned concern. The plant, expected to be set up as early as March, will make 4,000 vehicles a year. *Emiko Terazono, Tokyo*

Japanese buy more foreign cars

Sales of imported vehicles in Japan rose 56.3 per cent in December from a year earlier to 31,823, marking the 14th straight month of year-on-year rises, the Japan Automobile Importers Association (JAIA) said yesterday. December sales of vehicles made by the overseas units of Japanese makers totalled 7,914, up 384 per cent from a year earlier.

Competitive pricing, appreciation of the yen and a shift in consumer tastes helped sales of imported vehicles in Japan soar 49.6 per cent to a record 301,391 last year. *Reuter, Tokyo*

■ Jetstream Aircraft, the turbo-prop subsidiary of British Aerospace, has signed a contract to sell 20 Jetstream 41 commuter aircraft worth $140m to Atlantic Coast Airlines, which operates as United Express from Dulles airport, Washington.

■ AT&T has signed a contract worth more than $150m with the Guangdong Province Posts and Telecommunications Administrative Bureau to supply telecommunications infrastructure equipment to Guangdong Province in Southern China.

Brittan resists banana war threat

By Caroline Southey in Brussels

Sir Leon Brittan, the European Union's trade commissioner, yesterday stood firm after Mr Mickey Kantor, the US trade representative, threatened a trade war over the EU's banana import regime.

Mr Kantor told Sir Leon on Monday that preliminary investigations had found that the EU's banana import regime was "adversely affecting US economic interests."

He said he had invited the public "to identify specific European goods and services against which retaliatory trade action could be taken" if the full investigation confirmed the finding.

Sir Leon, in a letter to Mr Kantor yesterday, said he was disturbed by the reference to possible trade retaliation against European goods and services. Such action was against World Trade Organisation rules.

The EU imports bananas from African, Caribbean and Pacific countries tariff-free, but quotas and tariffs are imposed on so-called dollar bananas from Latin America under the EU's import regime, implemented in July 1993.

Mr Kantor's investigation began in October after Chiquita Brands International and the Hawaii Banana Industry Association filed complaints under Section 301 of the US trade Act.

Chiquita claims it has lost more than half its share of the EU market because of the import regime.

Mr Kantor said: "The discriminatory practices of the European Union have already cost US banana marketing and distribution firms hundreds of millions of dollars at a minimum."

He accused the EU of being inflexible amid US attempts to negotiate changes to the banana regime.

The US has also started a Section 301 investigation into Colombia and Costa Rica which implemented an agreement on bananas with the EU at the end of December.

Mr Kantor has warned Nicaragua and Venezuela that they could face similar action. They have signed but not yet implemented the agreement.

Export credits tilt to Asian nations

By Guy de Jonquières, Business Editor

The value of officially supported long-term export credits extended to China, Hong Kong and Indonesia more than doubled in 1993 over their level the previous year, while those received by Russia fell by more than half, according to preliminary figures published by the Paris-based Organisation for Economic Co-operation and Development.

In 1992, the SDR2.4bn ($1.65bn) of long-term export credits extended to Russia made it the biggest recipient, but the figure fell to SDR969m the following year. In the same period, credits to China and Hong Kong increased to SDR3.2bn from SDR1.4bn, while those to Indonesia rose to SDR2bn from SDR943m. Total long-term export credits edged up to SDR17.8bn in 1993 from SDR17.6bn in 1992.

The figures show the overall value of officially supported credits slipped to SDR44.4bn in 1993 from SDR48.5bn in 1992.

OECD Export Credit Rates

The Organisation for Economic Co-operation and Development announced new minimum interest rates (%) for officially supported export credits for January 15 1995 to February 14 1995 (December 15 1994 – January 14 1995 in brackets).

D-Mark	8.26 (7.97)
Ecu	8.77 (8.86)
French franc	8.80 (8.79)
Guilder	
up to 5 years	8.30 (8.00)
5 to 8.5 years	8.50 (8.30)
more than 8.5 years	8.85 (8.70)
Italian lira	10.27 (11.10)
Yen	4.70 (4.70)
Peseta	12.20 (11.84)
Sterling	9.56 (9.55)
Swiss franc	5.45 (6.45)
US dollar for credits	
up to 5 years	8.71 (8.44)
5 to 8.5 years	8.78 (8.72)
more than 8.5 years	8.80 (8.83)

These rates are published monthly by the Financial Times, normally in the middle of the month.

A premium of 0.2 per cent is to be added to the credit rates when fixing at bid. Interest rates may not be fixed for more than 120 days.

SDR-based rates of interest are the same for all currencies. For the period from July 15 to January 14 1995, the SDR-based rate will be 7.35 per cent. It replaces the previous rate of 5.95 per cent. The SDR-based rate will again change on January 15 1995.

India reforms textiles export prices

By Jenny Luesby, Chemicals Correspondent

The Indian Textiles Ministry yesterday announced the removal of minimum prices on exports of textiles and clothing. The ministry said it had taken the decision after heavy lobbying by trade associations and exporters' organisations, which claimed the prices were making Indian exports less competitive.

Indian exporters have been particularly outspoken since the December 31 signing of textile agreements between India and the US and Europe. These agreements removed US and European import quotas for certain types of Indian textile producers, notably handicraft and cottage industries. The trade associations argued there was little point lifting such quotas when they were not being met anyway, because minimum prices were making Indian textiles uncompetitive on the world market.

Lifting the minimum prices was "expected to improve the quota utilisation, especially in slow-moving categories, and increase the overall realisation," the ministry said.

The government had been concerned that exporters should maintain basic quality standards, but it said yesterday that exporters were now aware of the importance of quality and the government did not believe that removing minimum prices would affect quality adversely.

INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS

Trade figures are given in billions of European currency units (Ecu). The Ecu exchange rate shows the number of national currency units per Ecu. The nominal effective exchange rate is an index with 1985=100.

■ UNITED STATES

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	279.8	−174.2	−164.5	0.7623	100.0
1986	231.0	−140.6	−153.7	0.9836	80.2
1987	220.2	−131.8	−144.8	1.1541	70.5
1988	272.5	−100.2	−108.3	1.1833	66.0
1989	330.2	−99.3	−93.3	1.1017	69.4
1990	309.0	−79.3	−72.0	1.2745	65.1
1991	340.5	−53.5	−5.6	1.2391	64.5
1992	345.9	−65.2	−52.4	1.2957	62.8
1993	397.5	−98.7	−88.8	1.1705	65.6
4th qtr.1993	106.9	−25.0	−26.8	1.1388	66.4
1st qtr.1994	106.8	−28.8	−28.7	1.1244	66.8
2nd qtr.1994	107.7	−32.7	−32.7	1.1605	65.3
3rd qtr.1994	106.7	−33.5	−34.1	1.2232	62.8
December 1993	36.9	−8.9	n.a.	1.1287	67.0
January 1994	35.2	−9.7	n.a.	1.1139	67.5
February	34.1	−10.8	n.a.	1.1184	66.7
March	37.5	−8.4	n.a.	1.1410	66.1
April	36.1	−10.8	n.a.	1.1385	66.0
May	35.4	−11.1	n.a.	1.1622	65.3
June	36.3	−11.0	n.a.	1.1808	64.9
July	33.8	−12.2	n.a.	1.2187	63.0
August	37.0	−10.5	n.a.	1.2196	63.1
September	36.1	−10.8	n.a.	1.2312	62.3
October	35.3	−10.8	n.a.	1.2544	61.5
November			n.a.	1.2369	62.1

■ JAPAN

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	230.8	76.0	64.5	180.50	100.0
1986	211.1	96.2	87.0	165.11	124.4
1987	197.3	86.1	75.5	166.58	133.2
1988	216.8	80.7	66.7	151.51	147.3
1989	245.3	70.5	52.8	151.87	141.9
1990	220.0	50.1	28.3	183.94	126.0
1991	247.4	83.1	62.9	166.44	137.0
1992	254.9	101.7	89.8	164.05	142.9
1993	300.0	121.0	111.0	130.31	173.9
4th qtr.1993	75.6	30.3	27.2	123.20	180.2
1st qtr.1994	81.1	32.8	30.1	120.95	182.5
2nd qtr.1994	81.7	31.8	28.7	119.84	187.1
3rd qtr.1994	80.4	30.1	26.2	121.14	189.8
December 1993	25.7	10.8	8.9	123.92	176.5
January 1994	27.1	11.3	11.2	124.03	177.0
February	26.8	11.3	10.1	118.77	185.2
March	27.2	10.2	8.8	120.04	185.3
April	27.6	11.3	10.9	117.79	188.6
May	26.1	9.6	7.8	120.67	186.2
June	28.0	10.8	10.0	121.06	186.8
July	26.5	11.1	9.8	120.00	181.5
August	26.9	9.2	7.8	121.85	188.7
September	26.7	8.8	8.5	121.58	189.8
October	25.4	8.0	6.4	123.44	186.2
November	27.5	10.7	8.8	121.21	190.5

■ GERMANY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	*242.7*	*33.2*	*21.7*	*2.2260*	*100.0*
1986	*243.5*	*53.4*	*40.3*	*2.1279*	*108.8*
1987	*254.3*	*56.7*	*39.8*	*2.0710*	*115.3*
1988	*272.6*	*61.6*	*42.9*	*2.0739*	*114.8*
1989	*310.2*	*65.4*	*52.3*	*2.0681*	*113.5*
1990	324.4	51.8	36.9	2.0537	116.1
1991	327.4	11.2	−15.7	2.0480	117.7
1992	330.5	16.8	−17.0	2.0187	121.2
1993	322.8	31.4	−17.2	1.9337	124.8
4th qtr.1993	82.7	8.7	−5.3	1.9161	124.8
1st qtr.1994	81.9	7.6	−5.9	1.9370	122.4
2nd qtr.1994	86.7	11.2	−2.7	1.8276	123.5
3rd qtr.1994	88.7	6.8	−13.3	1.9088	126.0
December 1993	27.3	3.1	−1.6	1.9306	123.7
January 1994	26.8	3.1	−1.9	1.9415	122.2
February	26.3	3.2	−2.3	1.9397	121.8
March	26.8	1.2	−1.8	1.9299	123.2
April	29.1	4.6	−0.6	1.9335	122.9
May	30.2	3.0	−2.3	1.9265	123.5
June	30.5	3.6	0.1	1.9228	124.3
July	29.0	2.1	−7.0	1.9117	125.7
August	30.8	4.1	−3.4	1.9075	126.3
September	29.2	2.4	−2.8	1.9073	126.1
October			−3.8	1.9072	126.4
November				1.9044	126.3

■ FRANCE

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	133.4	−3.7	−0.2	6.7942	100.0
1986	127.1	0.0	3.0	6.7946	102.8
1987	128.3	−4.8	−3.7	6.9265	103.0
1988	141.9	−3.9	−3.4	7.0354	100.8
1989	162.9	−6.3	−3.8	7.0169	99.9
1990	170.1	−7.2	−7.2	6.9202	104.8
1991	175.4	−4.2	−4.9	6.9643	102.7
1992	182.6	4.5	2.9	6.8420	106.0
1993	179.5	13.4	9.6	6.6281	106.3
4th qtr.1993	46.1	4.4	3.0	6.6431	107.3
1st qtr.1994	46.5	2.4	3.4	6.6881	108.0
2nd qtr.1994	46.7	3.2	0.9	6.5967	108.0
3rd qtr.1994	49.5	3.2	2.3	6.5362	110.0
December 1993	16.0	2.01	1.84	6.6025	108.2
January 1994	15.3	0.28	2.36	6.5956	107.8
February	15.2	0.74	−0.29	6.5905	107.8
March	16.0	1.35	1.36	6.5782	108.3
April	15.8	1.18	0.54	6.6240	107.1
May	16.6	1.16	0.53	6.5972	107.6
June	16.2	0.88	−0.16	6.5688	108.6
July	16.0	0.68	1.17	6.5508	109.7
August	17.1	1.12	−0.04	6.5347	110.2
September	16.8	1.39	1.18	6.5233	110.3
October	17.1	1.73		6.5281	110.5
November				6.5386	110.1

■ ITALY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	103.7	−18.0	−5.4	1443.0	100.0
1986	99.4	−2.5	−1.4	1461.8	101.4
1987	100.7	−7.5	−2.1	1494.3	101.2
1988	108.5	−8.8	−8.0	1536.8	97.8
1989	127.8	−11.3	−17.0	1509.2	98.8
1990	133.8	−9.3	−16.0	1523.2	100.8
1991	137.0	−10.5	−17.7	1531.3	98.9
1992	137.9	−8.0	−20.8	1591.5	95.7
1993	144.3	17.9	9.8	1838.7	79.8
4th qtr.1993	36.9	8.7	5.6	1879.8	77.0
1st qtr.1994	37.5	3.4	1.1	1892.6	76.2
2nd qtr.1994	40.7	4.7	2.9	1861.2	77.8
3rd qtr.1994	38.0	8.2		1920.2	75.8
December 1993	12.9	2.7	1.7	1903.6	76.1
January 1994	10.2	0.1	−0.9	1892.5	76.2
February	12.8	1.8	1.3	1883.9	76.4
March	14.5	1.7	0.8	1901.8	75.9
April	12.9	1.4	1.0	1850.1	78.0
May	13.7	1.6	0.9	1852.6	78.2
June	14.0	1.7	0.9	1880.5	77.1
July	14.2	3.1	1.9	1904.5	76.3
August	9.9	2.0	1.8	1928.3	75.4
September	14.0	1.1		1926.0	75.3
October	13.8	1.6		1942.9	74.9
November				1958.1	74.0

■ UNITED KINGDOM

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	132.4	−5.7	3.8	0.5890	100.0
1986	108.3	−14.2	−1.3	0.6708	91.9
1987	112.3	−16.4	−7.1	0.7047	90.1
1988	120.9	−32.3	−25.0	0.6643	95.5
1989	137.0	−36.7	−33.5	0.6728	92.9
1990	142.3	−26.3	−26.6	0.7150	91.3
1991	147.7	−14.7	−11.7	0.7002	91.7
1992	145.8	−17.8	−13.4	0.7359	88.4
1993	156.1	−17.0	−14.4	0.7780	80.2
4th qtr.1993	40.7	−4.2	−2.6	0.7635	81.1
1st qtr.1994	42.3	−3.9	−1.9	0.7554	81.3
2nd qtr.1994	43.0	−3.1	−1.4	0.7718	80.0
3rd qtr.1994	44.2	−1.9	1.1	0.7885	79.2
December 1993	13.7	−1.6	n.a.	0.7573	81.7
January 1994	14.4	−1.2	n.a.	0.7458	82.4
February	14.0	−1.1	n.a.	0.7557	81.0
March	13.9	−1.6	n.a.	0.7649	80.5
April	14.5	−0.8	n.a.	0.7673	80.0
May	14.0	−1.3	n.a.	0.7733	79.8
June	14.4	−1.0	n.a.	0.7741	80.1
July	14.5	−0.8	n.a.	0.7881	79.2
August	14.7	−0.7	n.a.	0.7906	79.0
September	14.9	−0.6	n.a.	0.7887	79.3
October			n.a.	0.7612	80.2
November			n.a.	0.7798	80.2

Due to the introduction of the Single Market, EC countries are currently changing to a new system of compiling trade statistics. All trade figures are seasonally adjusted, except for the Italian series and the German current account. Imports can be derived by subtracting the visible trade balance from exports. Export and import data are calculated on the FOB (free on board) basis, except for German and Italian imports which use the CIF method (including carriage, insurance and freight charges). German data up to and including June 1990, shown in italics, refer to the former West Germany. The nominal effective exchange rates are period averages of Bank of England trade-weighted indices. Data supplied by Datastream and WEFA from national government and central bank sources.

NEWS: UK

Calls to quit EU fish policy are rejected

By Alison Maitland

Mr William Waldegrave, Britain's agriculture minister, yesterday dismissed as "implausible" calls by fishermen for Britain to withdraw from the European Union's Common Fisheries Policy.

Mr Waldegrave was responding to the launch of a campaign of "direct action" by fishermen in aonth-west England who are angry at last month's deal in Brussels to give the large Spanish fleet greater access to UK coastal waters from next year.

He said the agreement was not ideal, but added: "Wa achieved an outcome which, though less good than I would have wanted, is far better than many inside or outside the industry predicted."

The minister told the Commons Britain could pull out of the fisheries policy only by withdrawing from the European Union itself, and none of the major political parties was advocating such a measure.

Arguing that the policy should be better policed, he said: "If we didn't have the present policy, we would be having to invent co-operation with our neighbours to protect fish stocks, because fish stocks do not stop at lines drawn on maps."

Mr David Pessel, a Plymouth trawler owner who heads the new campaign, said fishermen would target Conservative MPs in marginal fishing constituencies in the south-west to demand support for a withdrawal from the policy.

"Their seats would be on the line if they rejected the fishing industry," ha said. "This puts the government's small majority in danger."

Mr Pessel said the campaign would etart next month and involve "spectacular" fleet demonstrations as well as lobbies of Westminster.

The south-west fishermen, working in conjunction with the Save Britain's Fish campaign, will seek backing from colleagues throughout the country in coming weeks.

They want Britain's 200-mile exclusive zone resurrected, with bilateral agreements for waters such as the Channel.

Mr David Harris, Tory MP for St Ives, described the fishermen's anger as "justifiable."

However, Mr Michael Jack, junior minister responsible for fisheries, pointed out that the Spanish had failed to win access to the Bristol Channel and the Irish Sea. They had also been restricted to 40 vessels in the so-called Irish Box – tha waters around Ireland – instead of 150 as originally intended.

Bureaucrats rapped over high pay

By John Authers

The wage bill for Britain's local government white-collar workers has increased by double the rate of average earnings over the last six years, despite government funding cut-backs, tbe Audit Commission, the local government watchdog, says in a report published today.

It said efficiency savings of £500m "at a conservative estimate" could be made if councils managed their wage bills more effectively.

Extra staff bave been recruited, particularly at the most senior white-collar levels, whila almost balf of council chief exacutives receive salaries above the range of nationally negotiated National Joint Council agreements.

The report is deeply ambarrassing for local government associations whicb have said that the cut in the external support from the government this year could only be accommodated by service cuts.

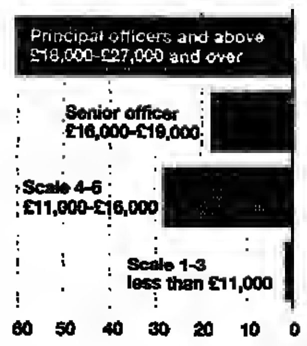
Employment of officials at "principal officer" grade or above, normally paid at least £18,000 ($28,080) rose by 60 per cent betwaen 1987 and 1993, while employment of non-manual staff at the lowest three grades, with a maximum salary of £11,000 scarcely rose at all. The commission said this contrasted with a fall of 150,000, or 10 per cent, in the number of manual workers employed over the same period.

Finance departments saw the sharpest increasa in white-collar staff, rising by 18,000, or 40 per cent, over the period.

Local authority associations accepted the figures, but denied that they were paying too much to bureaucrats. Sir Jeremy Beecham, chairman of the Labour-controlled Association of Metropolitan Authorities, said: "Any idea that local government is stuffed witb unnecassary and overpaid bureaucrats would be nonsense."

Jobs for the administrators

% change in staff by grade 1987-93



Source: Audit Commission

Premier joins dispute about veal

By Alison Maitland

Mr John Major, the prime minister, yesterday stepped into the row over treatment of veal calves by defending Mr William Waldegrave, agriculture minister, against claims that he is indirectly involved in the trade.

At the same time Mr Major emphasised that the government was unhappy about the trade in live calves and would prefer to see an increase in exports of ready-slaughtered meat instead.

Mr Waldegrava became embroiled in the controversy at the weekend following a newspaper report that calves from his family farm in western England had been exported to mainland Europe after being sold et local markets.

The concerns of animal rights activists about the veal production system on mainland Europe, banned in tha UK, have spilled into violent protests, with demonstrators seeking to stop calf shipments from the port of Shoreham.

During Commons question time Ms Jean Corston, Labour MP for Bristol East, accused ministers of turning a blind eye to the export of British calves to veal crates in France.

Mr Major said: "Mr Waldegrave has done more than most people in this country to try to change the laws right across Europe to deal with veal."

● The government yesterday rejected a call to eod tha quarantine system for European cats and dogs and replace it with a system of vaccination and identification.

Tory Lord Astor of Hever told the House of Lords: "With tried and tested alternatives, you should not keep pets locked up for six months in cold, damp cells."

But junior agriculture minister Earl Howe said that new systems, introduced last year in Norway and Sweden, had not been operating long enough to judge their success. "Tbe incubation period for rabies is six months," be said.

Earl Howe disclosed there had been two cases of rabies in the UK – both in quarantine – in the past 12 years. The latest was in 1990 when a dog from Zambia developed clinical rabies while in quarantine.

BAe salesman suspended over baton claims

By Bernard Gray, *Defence Correspondent*, and William Lewis

British Aerospace has suspended from duty a salesman with its Royal Ordnance subsidiary – pending dlsclplinary action – for making claims tbat the company has supplied electric-shock batons to Saudi Arabia and for offering to sell sucb equipment to others.

An internal investigation into the affair is under way, and it could involve other employees at BAe, one of the largest industrial companies in Britain.

BAe firmly denies the claims and says that it has not sold or supplied any such batons, which can be used in torture, to Saudi Arabia or any other country.

Mr Philip Morris, the Royal Ordnance salesman at the centre of the allegations, returned to work from leavc on Monday and was immediately suspended from duty.

On a television programme to be screencd today, Mr Morris tells undcrcovcr reporters posing as potentlal buyers that Royal Ordnance could supply electric-shock batons even thougb they are illegal in the UK.

He adds that the company had supplied 8,000 such batons at about £70 each to Saudi Arabia five years ago under the £20bn ($31bn) Al Yamamah arms programme. "I've said too much in telling you we sold them to tha Saudis," Mr Morris says.

Tbe claims were made in meetings held in the autumn of last year. On October 20 Mr Morris made a writtcn quotation on Royal Ordnance notepaper to eupply electronic batons and shields worth $3.62m.

The package included 5,000 40cm-long riot batons each capable of producing a shock of up to 60,000 volts.

Tbe tender was withdrawn on December 23 by the Royal Ordnance contracts department. BAe says that was wben senlor Royal Ordnance staff found out about the offer. On the same date BAe's head office wrote to Channel 4 to say that it has never supplled such equipment and would not do so.

Germany 'source of payment delays'

British companies exporting to Germany continue to face lengthening payment delays, in contrast to the improving picture throughout the rest of the *European Union, Michael Cassell writes.*

According to NCM Credit Insurance, which before privatisation was part of the government's Export Credits Guarantee Department, slow economic recovery in Germany means tbe country remains a late-payment "blackspot" for British exporters.

NCM's latest study of export activity among 6,000 customers shows that the combined value of payment delays by EU customers to UK businesses fell by 22 per cent in the 12 months to the end of December 1994, helping to confirm strengthening economic recovery across most of Europe.

In contrast, however, payment delays by German companies rose in value by 49 per cent. NCM said: "We believe that there is a strong correlation between payment delays reported by our customers and German industrial production.

"Consumer spending will not be helped by the reintroduction of the reunification tax, and our view remains that the German domestic economy will recover much more slowly than in previous recessions," NCM added.

The biggest reduction in EU payment delays during 1994 was recorded by businesses selling into Italy, where the value of outstanding payment times was cut by half. Figures reported to NCM show that UK exports to the EU rose by 10 per cent in 1994.

BR to sell letter sorting network

British Rail yesterday unveiled plans for the sale of its loss-making Rail Express Systems division, which carries and sorts letters overnight for the *Royal Mail in its travalling* post offices, Charles Batchelor writes.

BR invited potential bidders to register their interest in buying Rail Express, which employs 720 people and had a turnover of about £46m in 1993-94.

It runs 61 trains a day for the Royal Mail, of which 24 are equipped as travelling post offices to sort mail en route.

It has carried mail for more than 150 years and now transports a quarter of the letters sent by the Royal Mail. BR's vendor unit said Rail Express had a contract with the Royal Mail lasting until 2006 which was expected to make the business profitable.

It declined to comment on the current profitability of the business. But BR's parcels division, which comprises Rail Express and the Red Star parcels service, made an operating loss of £14.1m on sales of £78.4m in 1993-94. Red Star's contribution to the loss is thought to have been less than £9m.

Rail Express operates a fleet of 161 locomotives, 133 travelling post office carriages and 400 general purpose railvans. It has maintenance depots at Crewe, Cambridge, Bristol and London Euston.

Rail Express provides locomotives to other operators to haul passenger trains and carries parcels for Red Star.

Hill Samuel Bank is advising BR on the sale.

Leyland Daf and Scania lead sales surge

UK registrations of trucks over 15 tonnes in 1994

	Volume (Units)	Volume Change (%)	Share (%) Jan-Dec 94	Share (%) Jan-Dec 93
Total	26,968	+29.52	100.0	100.0
Volvo	5,476	+30.13	20.31	20.21
Leyland Daf (Daf Trucks)	4,247	+49.23	15.75	13.67
Scania (Sweden)	3,841	+33.51	14.24	13.82
Iveco group* (Fiat)	3,478	+10.69	12.90	15.09
Mercedes-Benz (Daimler-Benz)	3,318	+24.64	12.30	12.78
ERF	2,506	+26.01	9.29	9.55
MAN	1,536	+10.11	5.70	6.70
Renault	1,056	+102.80	3.92	2.51

(names in brackets indicate ownership)
*includes Iveco Ford and Seddon Atkinson
Source: Society of Motor Manufacturers and Traders and industry estimates

Truck market leaders Iveco and Leyland Daf are forecasting a further recovery in the UK market this year after strong sales increases in 1994, John Griffiths writes.

But the companies differ about the nature of the economic forces driving the upturn, and their confidence is not fully shared by the 12,000-member Freight Transport Association, which represents haulage operators.

Figures show a jump of about 30 per cent last year in registrations of trucks over 15 tonnes. These represent the core of the heavy haulage market, from construction trucks to tractor units drawing supermarket trailers, and are seen as a useful economic indicator.

Tha performance of the "heavies" helped lift registrations of all trucks over 3.5 tonnes last year to 44,738 – a 23 per cent rise over 1993, and nearly half as high again as the 31,398 recorded in 1992.

Mr Alan Fox, chief executive of Iveco Ford Truck, predicts between 47,000 and 52,000 this year. Mr David Gill, managing director of Leyland Daf, wbich holds second place in the market behind Iveco, predicts 50,000 to 55,000.

The two men cite the industry's strong performance in the second half of last year as the reason for their optimism.

Daewoo executive quits, Page 8

Receivers close most Athena shops

By Jim Kelly
and David Blackwell

The receivers to Athena have closed 127 shops, with the loss of up to 600 jobs, after failing to find a buyer for the greetings card and poster chain.

Athena was forced into receivership hy its parent company, the apecialist retailer Pentos, just after Christmas.

Pentos, wbose otber operations include hooksellers Dillons and the Ryman stationery shops, withdrew support from Athena rather than spend the £9m ($14m) to £12m it estimated was necessary to get the subsidiary to break even.

The parent company's decision to withhold funds, and in effect ring-fence the subsidiary, cauaed widespread anger among creditors, some of wbom said they had received orders for new stock only days before the collapse.

Pentos said it had made strenuous efforts to find a buyer and pointed out that Athena lost an estimated £5m on sales of £16.2m in the six months to July 2 1994.

Mr Bill McGrath, chief executive of Pentos, said it was impossible to stem the losses.

Even before yesterday'a decision, landlords had seized the stock at 37 of the stores, forcing them to close. Some leases for prime sites, such as those at Meadowhall in Sheffield or Leicester Square in central London, may still find buyers although no deals have been concluded.

Of the 30 shops operated as franchises all but one will continue to trade and the receivers are hopeful of finding a huyer. Franchise holders pay rent and fees to Athena but pay suppliers direct. Mr Scott Barnes, a partner at Grant Thornton and one of the receivers, said: "Since the appointment of receivers the team have analysed in great details the plethora of prohlems surrounding the company.

"The closure of the majority of the stores was perhaps inevitable given those problems, the action taken by distraining landlords and the lack of acceptable offers."

Mr Barnes said Athena'a problem was that it was not selling enough of the low-value goods in which it specialises to cover its operating costs. Some buyers did come forward, hut the offers were not acceptable.

Athena's debts are thought to amount to £18m, £11m of which is owed to the company's hanks. The company's assets are more difficult to assess but include receipts from the shops since the receivers were appointed and will include a special sale held at the weekend. Total receipts are now thought to amount to £600,000 – or £400,000 after tax and wages. The value of stock is now thought to be less than £1.5m.

Lockheed, Dassault are asked to tender

The Ministry of Defence has asked four companies to offer replacements for the Royal Air Force's ageing fleet of 25 Nimrod maritime patrol aircraft, Bernard Gray writes.

An invitation to tender was issued to British Aerospace, Lockheed, Dassanlt and Loral yesterday with the contract expected to be awarded in the summer of 1996.

The aircraft are expected to come into service at tbe turn of the century. Lockheed is likely to offer its P3 Orion four-eogined aircraft, while Dassault of France has said it will field its twin-engined Atlantiqne.

BAe and Loral, the other companies hidding to become prime contractors for the deal, are suggesting re-equipped existing aircraft. BAe is looking at a variation on the existing Nimrods witb strengthened airframes and a new electronics system. Loral is expected to offer reconditioned Lockheed Orion aircraft.

Maritime patrol aircraft are used for fisheries protection, submarine detection, shipping control and search and rescne missions and are considered a vital part of Britain's coastal defences. Because modern aircraft are more capahle than the existing Nimrods, the replacement fleet may be only aboot 20 strong at a cost of £1.5hn.

The MoD has also indicated in the past that the European Future Large Aircraft, to be built by Airbus, might be modified for maritime patrol use though it would not be able to meet the current timetable.

'Great friend' of prince to divorce

Brigadier Andrew Parker Bowles and his wife Camilla announced yesterday that they had filed for divorce after 21 years of marriage. The Prince of Wales last year described Mrs Parker Bowles as "a great friend of mine", admitting that he had had three affairs with her.

Law firms acting for the brigadier and his wife said in a joint statement on the couple's behalf that the divorce was by mutual consent after they had lived separate lives for two years. The couple said the decision to end their marriage was "taken jointly".

Members of the prince's staff empbasised that he and the princess had no plans to divorce at present.

Brig and Mrs Parker Bowles said: "We have grown apart to such an extent that, with the exception of our children and a lasting friendship, there is little of common interest between us, and we bave tberefore decided to seek divorce.

"As we have no expectation that our privacy will he respected we issue this statement in the hope that it will ensure that our family and friends are saved from harassment." Their 20-year-old son is a student at Oxford University and they have a 16-year-old daughter.

The Prince said in a television interview last year: "Mrs Parker Bowles is a great friend of mine . . . a friend for a very long time. She will continue to he a friend for a very long time."

1970 Prince Charles, then aged 22, and Camilla Shand, 21, meet for first time

1971 Prince joins Royal Navy

1973 March Engagement announced of Camilla Shand and Maj Andrew Parker Bowles, who later serves with Royal Horse Guards in Northern Ireland.

July Prince declines to attend Parker Bowles' wedding although Queen Mother (his grandmother) and Princess Royal (his sister) are there.

1974 Dec Prince becomes godfather to Parker Bowles's first child, Tom; 1978 Second child, Laura, born.

1980 June Camilla accompanies prince as official escort at Zimbabwe independence ceremony.

1981 Prince proposes to Lady Diana Spencer, daughter of Earl Spencer, while staying at Parker Bowles' home in west of England; Prince marries Lady Diana, then aged 19, in St Paul's Cathedral; she becomes Princess of Wales.

1982 Prince William, first son of Prince and Princess of Wales, born;

1984 Second son Prince Harry born

1991 Newspapers report tape recording of 1989 telephone call in which prince and Mrs Parker Bowles declare love for each other.

1992 Journalist Andrew Morton says in book Diana - Her True Story that marriage of Prince and Princess of Wales has been loveless for years.

1993 Princess announces withdrawal from public life.

1994 June Prince implicitly admits in television interview that he was unfaithful to princess after "irretrievable" breakdown of their marriage.

Sept Parker Bowles, now brigadier, announces: "There are no plans for separation or divorce."; Nov Brigadier retires from army.

1995 Jan Lord Charteris, Queen'e former private secretary, says in magazine interview that Mrs Parker Bowles is "the love of the prince's life".

Minister blames management failures for escapes and refuses to quit

Home secretary sacks prison governor

By John Kampfner,
Westminster Correspondent

The governor of Parkhurst prison on the Isle of Wight was sacked yesterday by Mr Michael Howard, home secretary, as the government sougbt to extricate itself from recent crises in the prison service.

Mr Howard said in the House of Commons that a preliminary report into the escape of three inmates from the high-security prison this month had highlighted "very serious failures at local level by both management and some individual officers".

He said Mr John Marriot, the governor, was being removed immediately and would not be put in charge of any other prison. Six other members of staff at Parkhurst were being transferred.

Mr Jack Straw, the opposition Labour party's shadow home secretary, said Mr Howard's conduct was characterised by "consistent evasion of responsihilities exceeded only by his willingness to scapegoat others."

Conservative backbenchers rallied behind Mr Howard, but several called into question the future of Mr Derek Lewis, director-general of the prison service.

Mr Howard acknowledged that he had received a warning last October about security lapses at Parkhurst from Judge Stephen Tumim, chief inspector of prisons. He said he was subsequently assured hy Mr Lewis, on the basis of advice from the governor, that all Judge Tumim's recommendations had been implemented.

Mr Howard said there was no indication in the preliminary report on Parkhurst hy Mr Richard Tilt, the prison service's director of security, of "any policy decision of mine which can be held to have caused in any way the breakout".

Mr Howard said he had asked Sir John Learmont, who is reviewing security procedures throughout the prison service, and Sir John Woodcock, whose devastating report on the escape of six prisoners from Whitemoor jail in Septemher rattled the government, to carry out a joint "independent assessment of events at Parkhurst". The scope of the inquiry would not he limited, and its results would be published in full.

Mr Howard will be hoping that his statement will have bought him time – at least until the Learmont-Woodcock report is issued – and that the demands for his resignation will now abate.

The prison officers' trade union said Mr Howard had "sacrificed the governor to save his own political skin".

UK NEWS DIGEST

Top manager resigns at Daewoo

The British managing director of Daewoo Cars, a wholly-owned subsidiary of Korea's second-largest carmaker, has left the company just three months before the vehicles are due to go on sale in the UK through a chain of Daewoo's own car "aupermarkets". Daewoo would give no explanation for his departure last night, saying only that deputy managing director Mr Sung-Kee Kim bad taken over responsibility for the company's day-to-day operations.

Mr Woodock, 42, a former managing director of Suzuki GB Cars, was unavailable for comment last night. His abrupt departure is certain to make Daewoo the focus of even greater attention by a UK retail motor trade already intrigued hy what is believed to be an unprecedented experiment hy a carmaker to eliminate independent dealers. Daewoo has set a target of selling 20,000 cars a year in the UK by 1997, about 1 per cent of the market for new cars. *John Griffiths, Motoring Staff*

American to boost flights to Chicago

American Airlines is to start a daily service from Birmingham in England to Chicago in May. It is the first US airline to take advantage of last October's decision hy the British government allowing any US or UK airline to operate transatlantic services to British airports away from London.

But American, which claims to be the world's biggest airline, said yesterday it had not dropped either its fundamental objective of working for the liberalisation of air traffic between the US and London Heathrow or its specific aim of starting a service between Heathrow and its base at Dallas/Fort Worth. *Paul Cheesright, Midlands Correspondent*

Kawasaki sends team to troubled yard

Kawasaki, the Japanese industrial combine, is one of four groups which have visited Swan Hunter, the north-east England shipyard in receivership, in response to a marketing campaign. The others, whose identities have not been disclosed, are a proposed international consortium including UK interests, a Malaysian shipping line and a Japanese conglomerate. The portfolios of all four include shiphuilding or related activities.

Price Waterhouse, the receivers to the shiphuilder, expect the next four weeks to determine prospects for finding a buyer for the main shipbuilding facility, or whether preparations should begin for a break-up auction. *Chris Tighe, Newcastle upon Tyne*

Minister criticises ambulance service

A report into the trouhled London Ambulance Service sbowed that changes were needed in both working practices and the structure of senior management, Mrs Virginia Bottomley, health secretary, said yesterday. She said the report identified "failings of archaic and unsuitable rostering arrangements, unacceptably high levels uf absenteeism and substandard communications both within the LAS control room and between control staff and ambulance crews." *Alan Pike, Social Affairs Correspondent*

Government expels Russian journalist

Britain said yesterday it was expelling a Russian television journalist on grounds that he was a threat to the country's security. Mr Michael Howard, home secretary, was said by officials to have "personally directed that Mr Alexander Malikov be deported from the UK because his presence is not conducive the public good for reasons of national security."

Mr Malikov was well known on Russian television and had reported from London for the past four years. A spokeswoman for Russia's intelligence service denied that he had worked for them. Officials at the Foreign Office in London hoped that the expulsion would not have a long-term effect on bilateral ties. One official said: "There may be some diplomatic reverberations from this, but nothing to shake the structure of Anglo-Russian relations." *Bruce Clark, Diplomatic Correspondent*

Striker Cole breaks transfer record

English premier league soccer champions Manchester United hroke the British transfer record yeaterday when they signed Newcastle United's 23-year-old striker Andy Cole (pictured) in a £7m ($10.9m) deal. Cole has signed a 5½ year contract at Old Trafford. The deal – under which the Newcastle club will get £6m and Manchester's £1m-rated Northern Ireland international player Keith Gillespie – exceeds tbe previous Britisb record of £5m which Blackburn Rovers paid Norwich City for striker Chris Sutton last season.

The record for a cash transfer involving a British player remains England captain David Platt's £6.5m switch from Bari to Italian rivals Juventus in June 1992. Both deals are still well short, however, of the world record transfer set between two Italian clubs last year when Gianluigi Lentini moved to AC Milan from Torino for a fee between £13m and £14m.

Cole, who is English-born but not yet a full international, has scored 68 goals in two seasons for Newcastle. He cost £1.75m from Bristol City in March 1993 and went on to hreak the Tyneside club's scoring record which bad stood for 60 years with 41 goals last season. This year he has scored 15 goals despite a lengthy injury, hut has currently gone nine games without scoring. *Stephen McGookin*

JOB LOSS: About 220 jobs are to be shed at Belfast aircraft manufacturer Shorts, the company announced yesterday, blaming Eastern European and Far East competition. Managerial, support and ancillary staff will be cut, but some may be redeployed as part of moves to recruit 130 new direct production line jobs.

OUT OF TUNE: A Belfast councillor for Sinn Féin, the political wing of the Irish Republican Army, yesterday demanded that the British Broadcasting Corporation scrap the playing of the British National Anthem at the end of daily programming in Northern Ireland. He claimed it was offensive to nationalists and an "anachronistic vestige of unionist triumphalism".

MANAGEMENT

Wiping out graffiti

The hunt for "best practice" is arguably management's equivalent of the search for the Holy Grail. But all too often the result is lots of top level rhetoric and alarmingly little real and committed action.

Writing in the February issue of Business Strategy Review, the magazine of London Business School, Sainsbury Professor of Marketing Tom Robertson highlights the dangers of what he calls this "graffiti" response.

It occurs, he explains, "when firms wittingly or unwittingly resort to jargon based on the Holy Grail, often with a total absence of substance". It is manifested on corporate walls, in company newsletters and annual reports, and in corporate advertising.

Robertson suggests three principles which may be of value to executives seeking to confront that never-ending pressure to be at "the leading edge of management thinking". The first is to hold managers accountable for implementation of the latest buzz words, rather than just for speaking them. Disparagingly, he cites companies which set up a separate "change department" and "market driven hureau", organisations which he says are "at least innocuous, at worst meddlesome and unlikaly to achieve positive results".

The second principle is to recognise the limitations of any Holy Grail idea. Using as an example the influential work on core competences, he writes: "Too many firms have built insurmountahle barriers [to entry] given existing technological paradigms, only to find how enormously difficult it is to change when competitors find new ways to compete. Even good ideas must not be extrapolated too far."

Finally, companies should focus on the future, not on the past (from which the Holy Grail is inevitably derived). "The challenge is to get ahead of customers and competitors and to create the firm's own unique destiny rather than emulating success formulas of the past".

Tim Dickson

Victoria Griffith examines whether team players or lone operators climb the corporate ladder faster

Chameleon or maverick?

One of the best ways to get ahead in business may be to hlend in with the crowd, according to two recent management studies. The studies, one by psychology professors Martin Kilduff and David Day of Pennsylvania State University and one by Harry Levinson, who heads the Levinson Institute consultancy, divide business people into two categories: the chameleon or team player, and the individualistic, opinionated maverick. They conclude that team players climb the corporate ladder faster than mavericks.

Kilduff and Day identified 139 Penn State MBA students as mavericks or team players with the aid of a simple test devised by Mark Snyder, professor of psychology at the University of Minnesota. After tracking their careers for five years after graduation, they concluded that chameleons were promoted sooner and more often than the mavericks.

"Chameleons feed off other people's cues and are attuned to what others in the company are saying," says Day. "The mavericks, which we refer to as 'low self-monitors', go with their own beliefs." Ronald Reagan and Bill Clinton are examples of chameleons, says Day, since they pay a great deal of attention to the opinions of others. Steve Jobs, the founder of Apple Computer, is an example of a maverick, someone who went out on his own because he did not fit into a big company atmosphere.

Chameleons usually make pleasant company, but not mavericks. "We all know the low self-monitor type, the guy who always says what you don't want to hear," says Day.

He and Kilduff concluded that since chameleons get more promotions, they are more likely to occupy most of the important managemant positions in big companies.

Levinson argues that a large numher of chameleons in the upper echelons of management makes it difficult for corporations to change direction. "CEOs can fall into the trap of surrounding themselves with too many 'yes-men'," he says.

According to Levinson, General Motors and IBM were slow to change in the 1980s because there were too few mavericks at top levels. General Motors was committed to hig cars, IBM to main-frame computers at a time when the market was moving in another direction.

"Sometimes, you need someone to say what you don't want to hear, to tell it like it is," says Day. "But most companies seem to be getting a lot of people who blow with the wind."

Corporations often encourage team players by cultivating the image of the company as one hig happy family, according to Levinson. Groups which promote heavy social interaction hetween employees and place a heavy emphasis on company loyalty are favourable to team players, as are companies which promote exclusively or disproportionately from within.

"The philosophy is that if you're in the organisation you are smart and talented, and if you're not, you don't know anything," says Levinson. "If they avoid hiring from the outside, they protect themselves from outside opinions."

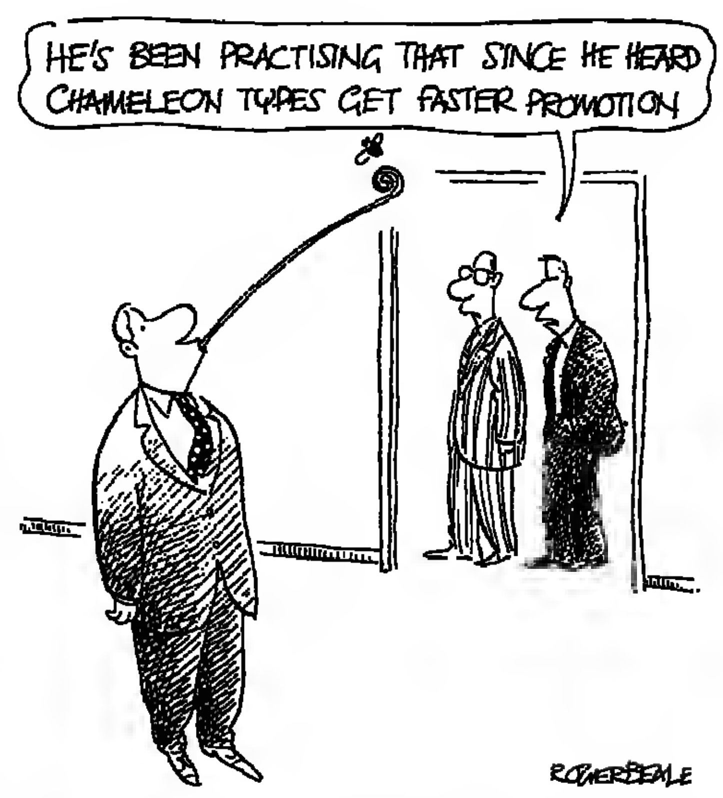
Paradoxically, although chameleons thrive in companies which emphasise corporate loyalty, they may be more likely to change employer than mavericks. Day and Kilduff's study showed that high self-monitors moved to new employers and geographical regions more often than low self-monitors.

Levinson, Day and Kilduff all agree that team players can he valuable employees. "You don't want to have an entire management team of low self-monitors," says Day. "That might lead to intransigence. The ideal is to have a mix."

Depending on the corporate culture, chameleons and mavericks may not always be easy to identify. Day points out that chameleons will offer their own opinions if the company encourages outspokenness. And mavericks can appear to be team players as long as the company is moving in the direction they believe is right.

The Day and Kilduff study has weaknesses. It relied on joh title information to signal promotions, for instance, and covers only five years. Still, Day points out that the first few years in the job are often vital to defining a career path. "The evidence is becoming clear," he says, "that the best way to climh the career ladder is to be a high self-monitor."

Kilduff and Day used the following test, devised by Snyder, to categorise MBA graduates as low self-monitors (mavericks) or high self-monitors (chameleons).



Matching the key on 11 or more questions means you are probably a high self-monitor.

1. I find it hard to imitate the behaviour of other people.
2. At parties and social gatherings, I do not attempt to say things that others will like.
3. I can only argue for ideas in which I already believe.
4. I can make impromptu speeches, even on topics on which I have almost no information.
5. I guess I put on a show to impress others.
6. I would probably be a good actor.
7. In a group of people, I am rarely the centre of attention.
8. In different situations and with different people, I often act like very different persons.
9. I am not particularly good at making other people like me.
10. I am not always the person I appear to be.
11. I would not change my opinions (or the way I do things) in order to please someone or win their favour.
12. I have considered being an entertainer.
13. I have never been good at games like charades or improvisational acting.
14. I have trouble changing my behaviour to suit different people and different situations.
15. At a party, I let others keep the jokes and stories going.
16. I feel a bit awkward in company and do not show up quite as well as I should.
17. I can look anyone in the eye and tell a lie with a straight face (if for a right end).
18. I may deceive people hy being friendly when really I dislike them.

Answer key: 1-F. 2-F. 3-F. 4-T. 5-T. 6-T. 7-F. 8-T. 9-F. 10-T. 11-F. 12-T. 13-F. 14-F. 15-F. 16-F. 17-T. 18-T.

Treasures in the treasury

New banking relationships can yield big savings, reports **Vanessa Houlder**

Many small businesses are painfully aware of the case for shopping around to curb bank charges. But large companies may also have untapped potential to make savings when they overhaul their banking relationships.

The need to review banking arrangements may be particularly strong after a period of growth and expansion. Companies may find their banking relationships have not kept pace, resulting in poor service and unnecessary costs.

This was tha experience of Cookson Group, the international materials manufacturer, which rationalised its banking structure after rapid expansion in the 1980s. Its overhaul of banking arrangements cut costs by 20 per cent in some countries. Overall, it believes it will shave £1.3m off its bank charges over five years.

The initiative began late in 1990 when Cookson sought tighter control over its 200 highly-autonomous operating companies – many of which had been acquired in the 1980s.

As the world recession deepened, the company made £300m of disposals to reduce its gearing. It also attempted to change its culture by moving away from a heavily decentralised style.

The priority for the London-based treasury was to identify and assess the financial risks being run by the subsidiaries. Although it was responsible for laying down policies for operating companies, finance directors of subsidiaries did not always adhere to them.

The decentralised style led to concern that the group was vulnerable to accidents waiting to happen. "I knew I did not know what the real financial risks were at operating level," says Michael MacCallan, group treasurer.

In 1992, it enlisted Price Waterhouse to conduct a review. Questionnaires were sent to 90 operating companies, requesting details such as the number and types of bank accounts used, currency flows and use of electronic funds transfers.

The information helped Cookson draw up a more focused treasury policy, together with a new procedures manual and a more detailed reporting system. It asked the finance director of the largest subsidiary in each country to act as a central cash co-ordinator.

At the same time, it realised there was huge scope to improve cash management and banking arrangements. The most important savings were found in the US, which is responsihle for 60 per cent of Cookson's turnover.

The US operating companies used between 20 and 25 banks. Cookson decided to restrict its banking relationships to just two banks: one providing centralised cash management and the other the lockhox network – a service which cuts the delays in clearing cheques that occur in the US's fragmented banking structure. It could have given one bank responsibility for both these operations, hut decided that a dual bank structure would keep the hanks on their toes.

It invited five banks to tender, on a no-names basis, with Price Waterhouse acting as go-between. Its choice of lockbox bank depended largely on the speed at which cheques could be cleared. Speedier clearing meant Cookson was able to cut its float by \$4m (£2.5m) to \$10m, and save on interest costs. Taken together with the cost efficiencies and reduced tariffs won hy putting its centralised cash management system out to tender, Cookson believes it will save over \$1m in US bank charges over five years.

The change to Cookson's banking structure in the US has taken three years to implement. The attempt to introduce greater awareness of risk and a more disciplined approach to banking arrangements has taken time to be fully accepted.

In MacCallan's view, success of a banking review depends on estahlishing a clear idea of what can be achieved and communicating it to the company managers. "People feel comfortable with what they have got," says MacCallan. "They don't necessarily understand treasury. That is why, painstakingly, we have to bring people along with us."

BUSINESS AND THE ENVIRONMENT

Packaging issue tied in knots

An EU directive is proving divisive, explains Haig Simonian

As the seconds tick away to implementation of the European Union's hotly-debated Directive on Packaging and Packaging Waste, manufacturers and retailers are considering the implications of cost and burden-sharing.

The directive is described as "one of the most hotly lobbied pieces of European legislation devised", according to Peter Davis, chief executive of Incpen, the UK's Industry Council for Packaging and the Environment.

The controversy stems from the wide implications of the rules, which cut across every aspect of packaging and recycling policy.

The directive divides retailers from packers, or "converters" and even leaves manufacturers of different packaging materials at loggerheads, according to Julian Carroll, managing director of the European Organisation for Packaging and the Environment, an industry body.

There are also opposing national views. In the lengthy debate before the directive was passed, Germany and Denmark wanted high recovery and recycling targets, others, notably the UK, sought lower goals. Meanwhile, Spain, Greece and Ireland won lengthy derogations before having to implement the new rules.

So acute were the differences that Germany, Denmark and the Netherlands abstained or voted against watered down targets at one stage because they were too limited. On the other hand, UK diplomats said targets were valueless if the UK industry felt they were unrealistic.

The directive will take effect once published in the EU Official Gazette, which is expected soon. Once that happens, member states will have 18 months to implement the measures as national law.

That will commit them to recover between 50 per cent and 65 per cent of packaging by weight within five years of implementing the directive. On recycling, the target range is 25 per cent to 45 per cent by weight, with a minimum of 15 per cent for each material.

The breadth of the bands reflects the directive's origins as a compromise document. Danish law, which is much tougher than the EU position, requires industry to recover 80 per cent of packaging and recycle 50 per cent by 2000.

The UK industry believes there are still imperfections. It is most concerned about monitoring and policing. Data on the quantities of packaging produced in the member states are still rough and ready. But precise figures are essential if the targets are to have any meaning. There are also continuing uncertainties about policing the regulations to ensure their effectiveness.

National positions on both look set to differ. While some countries have put the onus on the packaging industry, others have placed the burden on retailers.

The French position, likely to be repeated in the UK, is to set up a special government-approved body run by companies most closely involved with packaging. Eco-emballages, the French agency, supervises the system and collects levies from members. These are then used to run a national recovery and recycling network, often in conjunction with local authorities.

The UK is set to adopt a similar model through Valpak, the embryonic industry group due to be created for the same function. Running costs will be met by packers, such as the big food groups.

But some UK companies are arguing for a "multipoint" system, whereby the burden will be shared more broadly. That means bringing in retailers. So far, however, the big chains which dominate food retailing have been less than enthusiastic.

The UK battle over implementation will be waged in coming weeks. The British government favours a more self-regulatory approach. A consultation document, due from the Department of Environment later this month, will be followed by about six weeks of discussions with interested parties. The horse-trading ahead has all the signs of being every bit as acrimonious as the EU talks which held up the directive's birth.

The fate of abandoned North Sea platforms is being hotly debated, writes **David Lascelles**

Oil's troubled waters

Britain's North Sea oil may have yielded a cash bonanza, but it will also leave a legacy of old offshore platforms and installations.

In the coming weeks, the UK government will be issuing proposals for new rules covering abandonment of offshore facilities. These are anxiously awaited by many different interest groups, ranging from the oil industry and offshore contractors to the fishing industry and environmentalists. According to the Department of Trade and Industry, they should be ready before an Institute of Petroleum conference on February 16 which will be addressed by Tim Eggar, the UK energy minister.

According to the UK Offshore Operators Association, there are about 200 installations and 4,000 miles of seabed pipelines in the British sector of the North Sea. The cost of removing the installations was estimated by the Association in 1988 at between £2.9bn and £4.4bn, depending on the method. The cost of the pipelines and later clean-ups would be extra.

At the moment, the UK uses guidelines set by the International Maritime Organisation. These say that any installations weighing less than 4,000 tonnes excluding the superstructure should be completely removed if they stand in water less than 75m deep. This covers virtually all platforms in the shallower waters of the southern North Sea.

Bigger platforms (some in the deeper waters of the northern North Sea weigh as much as 300,000 tonnes) can be partially abandoned, if there is 55m of unobstructed water over the remains. Partial abandonment means either cutting the platforms off underwater, or toppling them over.

The oil industry has been arguing that these requirements are unnecessarily stringent because of the cost, and that installations should be dealt with on a case-by-case basis. The government seems to favour a more flexible approach. The question is how thoroughly the installations should be cleared away. Many are bigger than St Paul's Cathedral, which makes them a potential hazard – and also means the cost of removal is huge.

Some of the loudest proponents of complete removal are environmentalists and the fishing industry, which view large installations as both an obstruction and as eyesores – although it is accepted that platforms act as artificial reefs which attract fish, and could serve as offshore recreation centres.

Taking the platform: fishermen and environmentalists want old installations to go but operators have a number of objections

Recently, the offshore contracting business has added its voice to the drive for complete removal. At a London seminar last autumn, companies which specialise in deep water work claimed that complete removal was both more straightforward and less costly than the oil industry was claiming. Some companies even suggested that oil companies had deliberately ignored proposals that confirmed the technical feasibility of complete removal, and its low cost, in order to discourage discussion of this option.

Mike Corcoran, who heads decommissioning and salvage operations at McDermott Marine Construction, says: "The contracting industry has a wealth of experience upon which to develop cost-effective abandonment solutions suitable for any particular facility and circumstances."

But the oil industry maintains that advocates of complete abandonment are asking too much. Bryan Taylor, director of technical affairs at the UK operators' association, says: "The industry is looking for maximum flexibility for each site, not a standard package."

Rex Gaisford, an executive director of Amerada Hess, takes the argument a stage further and maintains there is no reason why installations should be removed at all. They pose no major hazard and do no harm to the environment, he argues. They could even be beneficial. "When you look at all the potential arguments, it is very difficult to justify the expenditure of all this money," he says. He believes UK interests would be better served if the money were spent developing further reserves of oil and gas.

Apart from the cost, the oil industry says, total removal would create other problems, such as what to do with the platforms.

There is also the question of long-term liability. If platforms are only partly removed or left intact, someone should be responsible for ensuring they do not pose a navigational danger. The UK operators' association has proposed that this liability should be transferred to the government, and funded by a one-off payment by platform owners at the time of abandonment which would pay for administration and insurance.

The proposal was supported by the House of Commons energy committee in a 1991 report on abandonment, provided the taxpayer was protected. But here, too, some members of the oil industry do not see why they should pay for long-term liabilities when other industries can walk away from their structures.

Oil companies have been making provision for abandonment. But much of the cost, when it comes, will be borne by the UK taxpayer anyway because oil companies will be able to reclaim tax paid on North Sea oil revenues. According to an estimate by oil analysts at Wood Mackenzie, the Edinburgh stockbrokers, the cost of abandoning the Brent field, one of the largest, would be £1bn, of which £497m would come from the taxpayer.

The Brent field is also a good example of the way the industry is spinning out oilfield life and delaying abandonment. Shell, the operator, is spending £1.3bn on modifications that it hopes will keep it in production for another 10 years.

Oil industry experts believe that the North Sea could also spawn specialist companies who buy up fields cheaply in their waning years and try to keep them going.

Regardless of the timing of decommissioning, the current situation in the UK presents many uncertainties which all sides want to see resolved. It seems unlikely that the DTI's proposals will end the controversy.

New lease of life for rigs

One of the clearest trends in the North Sea in recent years has been an emphasis on extending the life of early oil production platforms.

The economic benefits are often compelling. Companies stave off the costly abandonment process and prolong use of facilities that have long since been paid for.

Improved technology and understanding of how individual reservoirs react as they are drained have allowed operators to recover more oil than predicted, thus helping to extend the life of many platforms. Cutting costs has also helped to keep many older fields economic although their production is in decline.

Some companies have even sought new uses for platforms. Ninian, one of the largest North Sea fields, is an example of how a platform has found a new role as a "third-party" host.

Last October Ninian joined Forties and Brent as one of only three fields in the UK sector of the North Sea to have produced 1bn barrels of oil. But production is in steep decline from 1982's peak of 300,000 b/d.

In the late 1980s, Chevron, Ninian's US operator, began to persuade owners of nearby undeveloped fields to use the platform as a processing and transit centre.

Agreements were reached with Lasmo and Conoco to handle output from the Staffa and Lyell fields respectively. Protracted talks were required before Chevron was able to convince Texaco that it should send oil from its Strathspey project to Ninian. Accommodating the new production required a £200m refurbishment of the Ninian central and southern platforms, which was achieved without interrupting production from the Ninian field.

The next step is to tap small satellite fields that would otherwise remain undeveloped. Long-range, "extended reach" wells stretching as far as 20,000ft have been drilled from Ninian to three nearby deposits known as the Columba Terraces.

Robert Corzine

PEOPLE

Greg Dyke passes Pearson's screentest

Greg Dyke, the ebullient television executive who became a multi-millionaire when London Weekend Television was taken over by Granada last year, is returning to the broadcasting scene as chairman and chief executive of the Pearson group's television interests.

Pearson, which owns the Financial Times, has in recent years been actively expanding its television division, as part of its long term strategy of becoming a broadly based international media group.

Dyke, 47, is taking charge of a business that includes Thames Television, the former London weekday ITV station, a number of stakes in satellite services including BSkyB, and a joint European satellite venture with the BBC.

He says he has decided to join Pearson because "it has a clear commitment to expand its television interests both in the UK and internationally". Dyke is regarded as one of the most colourful and talented executives in UK television. He left school at 16 and trained as a Marks & Spencer store manager before moving into television where he made his name as the saviour of TV-am, the 1980s breakfast station.

He then moved to LWT where he became chief executive working alongside Sir Christopher Bland, the company's patrician chairman. They formed a highly successful, if somewhat improbable duo and fought a fierce, but ultimately unsuccessful battle last spring against Granada's £760m hostile bid for LWT.

Dyke resigned immediately after Granada won the bid, although he did have the consolation of leaving with a share stake worth more than £8m.

He says he has been offered a number of jobs outside television after leaving LWT. However, he decided to return to broadcasting because "it's the business I know best and that's the most fun for me". *Alice Rawsthorn*

Hewitt loses directors

The new direction planned for Hewitt Group, the industrial ceramics group, came a step closer yesterday.

Following the passing of resolutions agreeing the £4.3m 1-for-1 rights issue at an extraordinary meeting yesterday giving control to two former Medeva directors, two directors have resigned.

Peter Green, finance director and company secretary, left to take up another post. David Heynes, the chairman, explained that he had a young family and was reluctant to continue commuting from Solihull to Hewitt's Stoke offices. He would have left earlier but had been waiting for the changes to be approved.

Alan Styles, a non-executive director, has also resigned. He joined the board last year as part of the company's response to the Cadbury recommendations. However, he felt the new management should make its own choice.

The board now comprises Heynes, David Lees, the former finance director of Medeva, as chief executive, and Ian Gowrie-Smith, Medeva's managing director, as non-executive deputy chairman. Christopher Nurse is the other executive director and another non-executive is being sought. *Nigel Clark*

■ Don Panoz, founder of Elan Corporation, the Irish pharmaceutical concern, is stepping down as chief executive to be replaced by Donal Geaney, the president and chief operating officer. Panoz, an American who originally came to Ireland as a research scientist, established Elan, now Ireland's fifth largest listed company.

Elan, although having its primary listing in Ireland, is 75 per cent-owned by US investors. Last week the company listed its shares on the New York Exchange.

The appointment of Geaney, who joined Elan from KPMG Stokes Kennedy Crowley, underlines the importance of maintaining the Irish links. *John Murray Brown*

Italian aristocrat vacates his SEET

The combination of Jock Mackenzie of Mornish, 69, the flamboyant Scottish entrepreneur and veteran of many boardroom rows, and Andrea Cattaneo Della Volta, 38, Marquess of Belforte, has proved short-lived.

Cattaneo Della Volta, an Italian aristocrat, has resigned after less than a year as chief executive of SEET, a small Scottish textile company, and little more than a month as a major shareholder.

Last month he bought a 4 per cent stake in the company whose only subsidiary is Peter Macarthur, Scotland's biggest tartan-maker.

SEET, formerly known as Scottish, English and European Textiles and capitalised at £2m, is the last publicly quoted vehicle in Mackenzie's once large stable of interests which ranged from the London and Northern construction group to Tace, an environmental controls company. The loss-making company has not paid a dividend for several years and has shrunk in size following the sale of various subsidiaries and interests.

Cattaneo Della Volta, who was introduced to Mackenzie by a third party, took over as chief executive last March, replacing John Carr who had held the post for five months. Carr, in turn, had replaced Johnnie Mackenzie, the chairman's son, who remains on the board. Mackenzie owns 25 per cent of SEET and family trusts are understood to have a substantial stake in the company.

SEET has not given any reasons for the loss of its chief executive and has not yet found a replacement. However, there have been reports that the chairman did not see eye to eye with his chief executive on the group's acquisition policy. *William Hall*

Morlet dons Saari

Pierre-Yves Morlet has bought himself a Lamborghini sports car to complement the Porsche which graces his garage – a present to himself, perhaps, to mark his appointment as chief executive of Saari, the French accounting software company, writes Alan Cane.

Owned by Sage Group of the UK, the Newcastle-based company which seems set on dominating the market for low cost accounting software in Europe, Saari is the French market leader.

His fondness for fast cars apart, Morlet seems to have few interests outside business, which is just as well since he is going to have his work cut out bringing Saari's operating margin of 7 per cent more into line with Sage's 44 per cent.

Now 41, he has been in the software industry since 1986 when he co-founded Ciel, an accounting software house which Sage bought in 1992. Before that he worked in France in senior positions for Dow Chemical, General Electric and the Verbatim Division of Kodak.

Sage has a reputation for lean management and a disregard for the conventional trappings of success. David Goldman, Sage chairman, says Morlet "has shown total commitment to the Sage management culture". Even so, it seems unlikely his next car will be a Deux Chevaux. *Alan Cane*

■ Diane Angell, formerly business development director of PMP, has been appointed md of the European headquarters of ADVANCED MANAGEMENT SOLUTIONS.

■ John Thorpe, md of International Network Services, has been appointed md of GEIS, the combined INS and GE Information Services operation.

■ Alan Gill has been appointed director of business development at DRS DATA AND RESEARCH SERVICES.

■ Paul Easto, formerly a director of Netlink, has been appointed sales and marketing director of SECURICOR 3net.

■ Richard Hawtin, formerly corporate contracts director at Thorn Security and Electronics, is appointed commercial director at EDS.

■ Paul Otto has been appointed director of CANON Research Centre Europe.

ARTS

Television/Christopher Dunkley

More and larger lumps of soap


A two-part Euro-pudding from BBC1: Lena Headey as the nanny in 'Devil's Advocate'

So, thanks to a spot of digital squeezing, we are to have a choice of 12 terrestrial television channels within three years. And what, pray, is going to be put on them? When BBC2 and Channel 4 were launched I was impatient with those who said "There's already more than you can watch, why add more?" Those objectors did not greet the appearance of each new book with the cry "We've got enough books, there's more than you can read in a lifetime already", so why apply the argument to television? However, a sojourn in the Umbrian hills puts things into perspective and, having returned to the UK and binged on the new season, I find myself slithering towards the opposition camp. Instead of opening eight new networks, could we not close two of the four we have and concentrate what seems to be a shrinking body of talent into two really good channels? BBC2 and Channel 4 preferably.

To be fair, there is some impressive material in the new year schedules, and bits of it even squeeze onto BBC1 and ITV. David Attenborough is as watchable, as informative, and as charming as ever in *The Private Life Of Plants* which begins on BBC1 tonight and will be reviewed in my Saturday column. ITV's *Network First* report on killer diseases carried by monkeys was well made and worrying, and ITV is also responsible for *A Touch Of Frost* which – even though it depends on the endlessly bankable David Jason, whose true home is comedy, to play a straight detective – came up with a good script last week about a Down's syndrome boy suspected of murder.

Those aside, the good programmes, mostly one-offs, were on BBC2 and Channel 4, my favourite being an animated cartoon called *Duckman*, about a duck who lives with his dead wife's sister and has a secretary who says things like "Mr Duckman, a parcel just arrived but I think we should send tt back, it's wrapped in non-biodegradable plastic". Episode 1 incorporated parodies of *Steamboat Willie* (the first Mickey Mouse cartoon) Popeye, Yogi Bear, and *The Simpsons*. Manna for lovers of animation.

There was also a worthy edition of *Equinox* on Channel 4 which achieved the astonishing feat of making the most extreme sexual perversions, such as autoerotic asphyxia (which killed Stephen Milligan MP, and accounts for one death a week on average in Britain) about as interesting as log tables. It deserves mention partly because it was preceded by one of the most disgracefully obscurantist rants to have appeared in a supposedly respectable British newspaper in my lifetime. Headed "Can nobody stop this TV tide of squalor?" it not only promoted the notion that ignorance is preferable to knowledge, it also publicised the idea of "a panel of independent monitors, drawn from a broad range of society, to vet programmes and have the power to get them stopped". For some reason this proposal was not extended to newspapers.

However, the most striking aspect of the new season is the extraordinary growth in a type of serial drama which would once have been called lower-middlebrow. Ever since the disastrous Thatcherite remodelling of commercial television, ITV has been building its evenings around competently produced but tediously formulaic drama series about rural policemen, rural doctors, provincial lawyers and so on.

The ratings thus generated have now resulted in an even greater surge in "Woman's Own" material, more expensively made than soap opera, and in larger lumps, but aimed at much the same intellectual level. They are to television what those shopping-and-bonking novels are to the world of books: a slightly up-market version of Mills and Boon which can poke out of the violet and turquoise nylon tote bag when its owner goes to her step aerobics class without being embarrassing her or her friends.

ITV itself is giving us *Catherine Cookson's The Glass Virgin* on Friday nights, a bodice ripper in which Nigel Havers plays a cad who bullies his wife, bonks the maid servant, and blackmails everyone, while looking devilishly handsome, though so far male viewers have not been treated to a glimpse of even a strained bodice, let alone a ripped one. It has the gravel drives and landaus of *Middlemarch* but none of the thoughtfulness. ITV is also the source of *Kavanagh QC*, a courtroom formula series in which the bankable star is John Thaw, who moves up from detective to play a QC. There is a magnificent mansion and an ocean-going yacht to drool over but the opening episode, about an alleged rape, had less insight, depth or subtlety than you would expect when the same subject crops up on *Brookside*.

BBC1 has so far given us a two-part Euro-pudding called *Devil's Advocate* about an English nanny in an Italian prison, on charges of arson and attempted murder. To make matters worse she is accused of witchcraft, and her wonderfully pretty defence counsel, Dottore Locatelli (Alice Krige) insists on arguing in her defence that she is a victim of paranormal forces. To give the thing a royal flush in trendy themes the dottore is also carrying on a passionate lesbian love affair with a married woman. There are themes here which deserve proper attention from television drama: why in the 1990s is there a revival of medieval credulity about the supernatural? Why is lesbianism suddenly so fashionable? But this sort of drama is far too shallow to accommodate that sort of "why".

As for the other BBC1 offering, *Tears Before Bedtime*, it too is about nannies but seems dangerously uncertain about whether the subject is comic or tragic. Hampstead trendies have a simply awful time finding the right sort of person – young, female, versatile, inexhaustible, and willing to work at any menial task for peanuts – whom they can hire as "nannies" and then patronise like old-time servants. The yuppies are all scrubbed-pine-table hypocrites of the most odious sort. The nannies, however, are just as bad: at their own gatherings they are vicious, spiteful and vengeful. They go through their employers' drawers, computerised accounts and pornographic home videos, and tell their little charges bedtime stories about running away from home.

The irony is that everyone to do with the production appears to have bought the feminist shibboleth lock, stock and barrel so that there is never any serious questioning of the ludicrous modern belief that a woman should no longer work at being a mother and home-maker but ought to be something more important such as – dear God! – an accountant . . . so that she can afford to hire a nanny. If our eight new channels are to be filled with such lazy, confused and undemanding material, the Umbrian hillside, with no television antenna, will look more and more tempting.

Concerts

Purcell's progress

The champagne fizz of Johann Strauss has become the traditional musical standby for New Year's Day. This year there was the usual television relay from Vienna in the morning, but once the hangover had worn off in mid-afternoon BBC2 and Radio 3 jointly uncorked a festival of music which is planned to last the entire year.

After a difficult period facing criticism for going downmarket, it was time for Radio 3 to reaffirm its high-minded credentials. Its year-long festival of British music in 1995 is as ambitious as anything devised in what reactionaries doubtless regard as the station's heyday. It was predictable that the presentation-conscious 1990s would put the emphasis on slick marketing – that TV trailer with a swirling outline of the British Isles typically manages to look stylish and say nothing at all – but there is no lack of substance in the programme of events.

The festival has been occasioned by the coincidence of anniversaries in 1995: Tippett's 90th birthday, the tercentenary of Purcell's death and the 50th anniversary of the premiere of *Peter Grimes*. For the time being let us stay with Purcell. During the course of the year Radio 3 intends to broadcast every note that the composer wrote, which is an event worth trumpeting in itself. It is not so long ago that much of his music was still waiting to be recorded for the first time.

The Controller of Radio 3, Nicholas Kenyon, came to his job with specialist knowledge of this period and is leaving no doubt about his personal commitment to the BBC's Purcell tribute. Both the New Year's Day programmes on BBC2 featured him centre-screen. He was presenter of the documentary (good on places and influences, inevitably more hazy on Purcell the man) and also introduced the live concert that followed. This had the advantage of coming from the Banqueting House in Whitehall, a building Purcell would certainly have known. Its ceiling paintings by Rubens provided a rich visual counterpoint, which the television producers seized upon eagerly.

The performers will have cast themselves. Over the past few years Robert King has made a one-man industry out of Purcell and in 1995 will be reaping the reward for his perseverance. Gardiner's Purcell may be more joyous, Christie's may touch the emotions with more spontaneity, but King is the one who has sought out the odes and anthems that the others do not reach. For the televised concert he devised a nicely-balanced programme, which kept one eye on pleasing a mass audience, but also looked out a fairly neglected complete work – the ode *Welcome, welcome glorious morn* – to close. It aimed to popularise Purcell and hopefully will have succeeded.

On Thursday, he and The King's Consort were back at the Wigmore Hall for the fifth in their ongoing series of Purcell concerts there. As King observed, the Wigmore is almost exactly the same dimensions as the Chapel Royal in Purcell's day, so their performances of the sacred music were taking place in an almost ideal modern venue. Again the programme was skilfully varied, ranging from extraordinarily powerful solo works like "Full of wrath, his threat'ning breath" (sung with sensitivity by the bass Michael George) to both accompanied and unaccompanied anthems. What riches are hidden here: each month of Purcell year should bring its own discoveries.

Richard Fairman

Dance/Clement Crisp

Massine's ballets revived in Nice

After a year's refurbishment, Nice's Opera House opened its doors in October. It has always been a delightful theatre; with this season's rebirth it has acquired a new General Director, Jean-Albert Cartier. These columns have charted his work over the past decades, from the Ballet Théâtre Contemporain and the Ballet de Nancy to his re-opening of the Théâtre du Châtelet and his years as administrator of the ballet at the Paris Opéra. His work for ballet and opera has been marked by a brilliant visual taste and a lively sense of the possibilities of his theatres – thematic programming, lost works restored to the stage, an enthusiasm for a repertory which stimulated a new public.

As a first token of his hopes for the Nice Ballet the troupe has just staged an evening of Massine works. Leonid Massine's reputation suffered considerably in the post-war years. The ballets he made for Diaghilev – notably *Le Tricorne* and *Boutique Fantasque* – were acknowledged masterpieces, but the repertory with which he dominated the émigré Ballets Russes of the 1930s as creator and dancer was largely ignored. Performances in the 1940s showed him as a still vivid and thrilling artist, but those "symphonic" ballets (with their huge Tchaikovsky, Brahms, Beethoven, Berlioz, Shostakovich scores) which had once seemed such peaks of choreographic genius, were forgotten or dismissed.

It was the revival of *Les Présages* (to Tchaikovsky 5) at the Paris Opéra a few years ago which made a new audience aware of Massine's stature, and the Birmingham Royal Ballet's staging of *Choreartium* (to Brahms 4) confirmed this. A few troupes had persisted with his work, not least London Festival Ballet, where Massine had been a thrilling guest in early seasons, showing in performance with Danilova, Markova, Dolin, the potent glamour of the Ballets Russes' stars.

Now Nice has pulled off a considerable coup with a revival of Massine's *Sacre du Printemps* (in a programme with *Beau Danube* and *Parade*). Nijinsky's original *Sacre* was made for Diaghilev in 1913. Famously a scandal, lasting only a handful of performances, it was "reconstructed" a few years ago to give us some hint of what it might have been like. In 1920 Diaghilev invited Massine to make a new version for the Ballets Russes. It was this staging which Stravinsky preferred to the Nijinsky original, noting that Massine had understood the score not as an "objective construction". In 1930, in America, Massine made another version of *Sacre* – with Martha Graham as the Chosen Maiden. in 1948 he again staged the work, in Milan, and later mounted it in Stockholm and, for a last time, in Florence in 1973. (The Roerich designs, variously altered and revised, were a constant of all these stagings).

Looking at this *Sacre* last week, it was impossible to know how much remains of Massine's early ideas, but Susanna della Pietra and Enrico Sportiello – long-time associates of Massine – have revived a ballet of notable clarity and force. It is, clearly, the work of a master choreographer. It is also, and in this Stravinsky's judgment on Massine remains valid, a staging of real intellectual power.

Massine was a brilliant man, and his view of the music astonishes by its control of a notoriously awkward score. The music speaks and we see its structure in the work of the 40 dancers in the cast. There is an architectural logic, a sense of dynamic weight balanced and counter-balanced, as the groups of adolescents and adults are manoeuvred. It is not a coldly academic view – Massine's sense of theatre was far too lively for that – but just as we can savour the music's development, so too we appreciate the analytic purpose of Massine imagination as well as his comprehension of primitive ritual. This is an Apollonian *Rite*, far from the Dionysiac frenzies we find in other versions, where sex rather than score is the guide.

The Roerich designs – the artist's last work before his death in 1947 – have been scrupulously revived by Kenneth Archer; the Nice troupe worked with admirable discipline as the blocks from which a fascinating choreographic structure is assembled. As the Chosen Maiden, one of the Paris Opéra's most brilliant young artists, Agnes Letestu, gave a performance both touching and grandly hieratic.

Mlle Letestu was also the Street Dancer in *Beau Danube*. This is one of the lollipops with which Massine delighted his public before the war. It needs stars – Danilova was Massine's partner in it for many years, flirting adorably with a red velvet skirt while reminding him (as a dashing Hussar) of a former affair. Well, those days, those stars, are gone, but Jose Martinez, also from the Paris Opera and an ardent and handsome artist, made a fine figure of the Hussar, and Mlle Letestu has the divine legs the street dancer needs.

The Nice artists did very well as the crowd of characters who dash through the piece. They were also pleasing in *Parade*, which benefited from M. Martinez as the Chinese Conjuror, and from an alert, idiomatic view of the Little American Girl by Audrey Vallarino. After more than 70 years, the Picasso designs and Satie score still intrigue an audience. And Massine lives.

INTERNATIONAL ARTS GUIDE

AMSTERDAM

CONCERTS
Het Concertgebouw Tel: (020) 671 8345
● Royal Concertgebouw Orchestra: conducted by Valerie Gergiev plays Oestwolskaja and Shostakovich at 8.15 pm; Jan 18, 19
● Netherlands Philharmonic Orchestra: Hartmut Haenchen conducts Smetana, Janáček and Dvořák at 8.15 pm; Jan 11
● *Royal Concertgebouw Orchestra*: with soprano Inga Nielsen, and mezzo-soprano Elisabeth Laurence. Charles Dutoit conducts Lutoslawski, Debussy, Stravinsky and Bartók at 8.15 pm;Jan 12,13,14
GALLERIES
Van Gogh Museum Tel: (020) 570 5200
● Odilon Redon: retrospective of the French artist's work with over 160 paintings, etchings and lithographs from public and private collections; to Jan 14
OPERA/BALLET
Het Muziektheater Tel: (020) 551 8922
● L'Italiana in Algeri: by Rossini. Produced by Dario Fo, conducted Alberto Zedda at 8 pm; Jan 13, 15 (1.30 pm), 17, 19

BERLIN

OPERA/BALLET
Deutsche Oper Tel:(030) 341 9249
● Ballet Evening: conducted by Sebastian Lang-Lessing. Necho Duato, Glen Tetley and Harris Mandafounis choreograph works by Debussy, Poulenc and Stravinsky at 7 pm; Jan 14 (6 pm), 17, 19
● Der Rosenkavalier: by Strauss. Conductor Jiří Kout, production by Götz Friedrich at 8 pm; Jan 15
● Madama Butterfly: by Puccini. Conductor Sebastian Lang-Lessing, production by Pier Luigi Samaritani at 7 pm; Jan 18
● Zar und Zimmerman: by Lortzing. Conducted by Hans Hilsdorf, produced by Winfried Bauernfeind at 7 pm; Jan 13 (8 pm)

BRUSSELS

CONCERTS
Philharmonique de Bruxelles Tel: (02) 507 8434
● Abdel-Rahman El-Bacha: pianist plays Chopin at 8 pm; Jan 11
● Belgian National Orchestra: with soprano Zsuzsa Misura, baritone Andras Molnar and conducted by Yuri Simonov plays Wagner at 8 pm; Jan 12
GALLERIES
Musée d'Ixelles Tel: (02) 511 90 84
● Gainsborough to Ruskin: British landscape drawings and watercolours from the Pierpont Morgan Library in New York. Includes paintings by Constable, Turner and other 18th and 19th century artists; to Jan 15 (Not Mon)

LONDON

CONCERTS
Barbican Tel: (071) 638 8891
● Briggite Fassbaender: the mezzo-soprano with the Academy of London conducted by Richard Stamp plays Beethoven and Mahler at 7.30 pm; Jan 16
● Faure: Requiem: City of London Sinfonia conducted by Harry Christophers plays Fauré and Mozart at 7.30 pm; Jan 20
● London Symphony Orchestra: conducted by Ivan Fischer plays Dvořák at 7.30 pm; Jan 12
Queen Elizabeth Hall Tel: (071) 928 8800
● Cantabile: four man vocal harmony group performs songs of love and war at 7.45 pm; Jan 17
● Messiah: by Handel. James Gaddam conducts the London Orpheus Orchestra and the London Orpheus Choir at 7.30 pm; Jan 15.
● Orchestra of the 18th Century: with conductor Frans Bruggen and soprano Cyndia Sieden plays Haydn, Mozart and Beethoven at 7.45 pm; Jan 12
● The London Philharmonic: conducted by Elgar Howarth plays Gabriell, Stravinsky, Birtwistle and Byrd/Howarth at 7.45 pm; Jan 16
GALLERIES
National Gallery Tel: (071) 839 3321
● The Young Michelangelo: small exhibition of the artist's early work; to Jan 15
Victoria and Albert Tel: (071) 938 8500
● Warworks: women photography and the art of war. A perspective of war through the eyes of women artists; from Jan 11 to Mar 19
OPERA/BALLET
English National Opera Tel: (071) 632 8300
● Figaro's Wedding: in house debut for conductor Derrick Inouye at 7 pm; Jan 11, 14, 18
Royal Opera House Tel: (071) 340 4000
● Cinderella: music by Prokofiev. Created by Fredrick Ashton in 1948, this was the first full-length ballet by an English choreographer at 7.30 pm; Jan 14
● Così Fan Tutte: by Mozart. A new production directed by Jonathan Miller. Conductor Evelino Pidò. In Italian with English surtitles at 7 pm; Jan 18
● Otello: by Verdi. Conductor Carlo Rizzi, director Elijah Moshinsky. In Italian with English surtitles at 7.30 pm; Jan 13, 17, 20
● Swan Lake: by Tchaikovsky. Choreographed by Marius Petipa and Lev Ivanov, production by Anthony Dowell at 7.30 pm; Jan 18, 19
THEATRE
National, Lyttelton Tel: (071) 928 2252
● Out of a House Walked a Man: by Daniil Kharms. A Royal National Theatre and Theatre de Complicite co-production of a collection of musical scenes by the Russian absurdist writer at 7.30 pm; Jan 17, 18 (2.15 pm) , 19
● The Children's Hour: by Lillian Hellman, directed by Howard Davies at 7.30 pm; Jan 11, 20.

NEW YORK

CONCERTS
Alice Tully Hall Tel: (212) 875 5050
● Garrick Ohlsson: pianist, begins a six recital series covering the complete solo piano music of Chopin at 3 pm; Jan 15
OPERA/BALLET
Lincoln Center Tel: (212) 721 6500
● Heather Watts Final Performance: New York City Ballet principle dancer Heather Watts gives her last performance in George Balanchine's 'Bugaku' and Peter Martins' 'Valse Triste' at 7 pm; Jan 15
Metropolitan Tel: (212) 362 6000
● Die Fledermaus: by J. Strauss. Sung in German with English dialogue at 8 pm; Jan 11, 14 (1.30 pm) , 18
● L' Elisir d' Amore: by Donizetti. Produced by John Copely, conducted by Edoardo Müller at 8 pm; Jan 14, 17
● Le Nozze di Figaro: by Mozart. Produced by Jean-Pierre Ponnelle, conducted by James Levine at 8 pm; Jan 12, 16, 20
● Madama Butterfly: by Puccini at 8 pm; Jan 13
● Simon Boccanegra: by Verdi. A new production directed by Giancarlo del Monaco. James Levine conducts the opening night cast of Cheryl Studer, Plácido Domingo and Vladimir Chernov at 8 pm; Jan 19
THEATRE
Vivian Beaumont Tel: (212) 239 8200
● Carousel: revival of the 1945 Rodgers and Hammerstien musical at 8 pm; to Jan 15 (Not Mon)

PARIS

CONCERTS
Champs Elysées Tel: (1) 47 23 37 21/47 20 08 24
● Nathalie Stutzmann: contralto and pianist Inger Södergren plays Schumann, Debussy and Tchaikovsky at 8.30 pm; Jan 17
● Soirée Brahms: part of the 'Prades aux Champs Elysées' series, featuring violinists Régis Pasquier and J.-Jacques Kantorow at 8.30 pm; Jan 18
● Virtuosos of Moscow: violinist Vladimir Spivakov plays Haydn, Bartók and Tchaikovsky at 8.30 pm; Jan 18
GALLERIES
Institut du Monde Arabe Tel: (1) 40 51 38 38
● Delacroix in Morocco: Delacroix's visit in 1832, when he was 34, made a lasting impression on his art; to Jan 15 (Not Mon)

WASHINGTON

CONCERTS
Kennedy Center Tel: (202) 467 4600
● National Symphony Orchestra: with soprano Elizabeth Futral, mezzo-soprano Claudine Carlson and the Choral Arts Society of Washington. Leonard Slatkin conducts Ravel and Mahler at 8.30 pm; Jan 12, 13, 14, 17 (7 pm)
● Yo-Yo Ma: *the cellist along with* pianist Emanuel Ax, violinist Pamela Frank, clarinetist Paul Meyer and flutist Euginia Zukerman plays Brahms and Schoenberg at 8.30 pm; Jan 11
OPERA/BALLET
Washington Opera Tel: (202) 418 7800
● Semele: by Handel. Conductor Martin Pearlman. Roman Terleckyj directs a Zack Brown production at 8 pm; Jan 13, 16 (7 pm)
● Vanessa: by Samuel Barber. Director Michael Kahn, conductor Christopher Keene at 8 pm; Jan 14 (7 pm), 18, 20

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Financial Times Business Tonight

Edward Mortimer

Inquiry into the UN

Critics are unhappy with the system for a variety of reasons

It is a safe bet that the 50th anniversary of the United Nations, which falls this year, will prompt a wider and more serious debate about the UN's role than the 40th anniversary in 1985, when there were only pious platitudes. Events since then have pushed the UN into a more central position in world affairs, or at least in world security.

Expectation has been raised, but not satisfied. Though it may be taken more seriously than 10 years ago, the UN is hardly more popular. It is assailed by an avalanche of criticism. Two new books, written from more or less opposite points of view, provide good examples.

Erskine Childers*, an old UN hand, has edited a volume of essays for the Catholic Institute of International Relations, the burden of which is that the UN has been hijacked by a few rich and powerful nations, led by the US. These nations use the UN when it suits them to legitimise military interventions in other states' affairs, but have prevented it from serving the interests of the majority of its members.

Rosemary Righter**, chief foreign leader writer on The Times of London, agrees that dealing with threats to or breaches of the peace, while the primary purpose of the UN, was never the only one and is not what the vast majority of funds and personnel passing to the UN system are employed for. Like Childers, she undertakes to review the work of the system as a whole, including the autonomous "specialised agencies" and even the International Monetary Fund and the World Bank, whose connection with the rest of the system is tenuous.

Childers deplores this last fact, seeing it as part of the conspiracy to cheat poor and weak nations of their birthright. But Righter applauds it, exempting the bank and the fund from many of her strictures on the rest of the system.

Both agree that the UN is failing dismally in its broader purpose, "the advancement of all peoples". But whereas Childers and his fellow contributors think this is because rich countries have kept real economic decision-making outside the UN's purview, Righter sees it as an inevitable result of the UN's intergovernmental character, combined with the shibboleth of "universalism".

The UN is, in effect, a trade union composed of governments of notionally sovereign states; and its most widely touted virtue is that it includes virtually all sovereign states in the world. Moreover, outside the Security Council where five permanent members wield vetoes, all member states are notionally equal. India has one vote, just like Kiribati.

The result is, Righter argues, a yawning gap between the real world and the world as represented in the UN. There, representatives of states speak and vote as though states were the main source of economic progress, as though inequality between rich and poor states were the main impediment to the latter's progress, and as though this could be changed by the poor bringing pressure on the rich.

Rich countries never paid more than lip service to poor countries' views

In reality, economic and social forces are becoming harder for states, rich or poor, to control. Many aspects of sovereignty are now largely mythical. Rich countries never paid more than lip service to poor countries' views and are increasingly disinclined to do even that. Multilateral co-operation, says Righter, is on the increase, but much of it goes on outside the UN system, where rich and poor alike find it easier to deal with reality and avoid ritual confrontation.

Righter outlines four possible strategies for western governments. The first, "opting out", she describes as "worst case thinking", to be kept in reserve as a last resort. At the opposite pole is "structural reform", constantly urged by frustrated UN hands since at least the 1960s. It is no more likely to happen now than then, in Righter's view, because the very obstacles it would sweep away – such as bureaucracies inflated by national horse-trading and the obsession of governments with their sovereignty and notional equality – prevent the machinery from adopting it.

"Facade management", her third option, is closest to western governments' actual practice. It amounts to going through the motions of taking the UN seriously, to keep it alive for the few minimal useful functions it still performs. This she describes as logical, but inadequate for dealing with the new global agenda and falling too far short of the hopes prompted by the end of the cold war.

Her preference, therefore, is for "selective action". She points out that half to three-quarters of the funding for the UN's complex work of overlapping agencies is made up of voluntary contributions, mainly from a dozen western governments. These governments, she argues, should be more selective about the bodies to which they pay this money, using a "market" approach to impose streamlining and encourage greater efficiency.

Righter herself is not immune to the UN diseases of complexity, repetitiousness and excessive detail. But her approach is certainly more realistic than that of Childers, who seems to imagine the UN can somehow be transformed into a democratic world federation. Righter's book should be read by anyone wanting to understand what their country spends on the UN and how it could get better value for money. One would like to think it includes incoming US congressmen, who could do with a serious briefing before they wield an indiscriminate axe against all UN payments.

**Challenges to the UN, Building a Safer World, by Erskine Childers, St Martin's Press, £9.99. **Utopia Lost, the United Nations and World Order, by Rosemary Righter, 20th Century Fund, $34.95*

John Authers explains why most UK county councils are now unlikely to be abolished

Delivered from the dust-cart

Sir John Banham, the man in charge of reorganising English local government outside the cities, will this morning deal a final blow to the government's hopes of abolishing England's county councils.

Barring surprises, he will announce the retention of the last five counties to be reviewed – meaning that only seven of the 39 county councils will be abolished as the result of his two years' work.

This turnround owes much to a skilful campaign by the counties, led by the Association of County Councils. They have been aided by the judiciary, backbench Conservative MPs, local government professionals – and a solid dose of apathy from the British public.

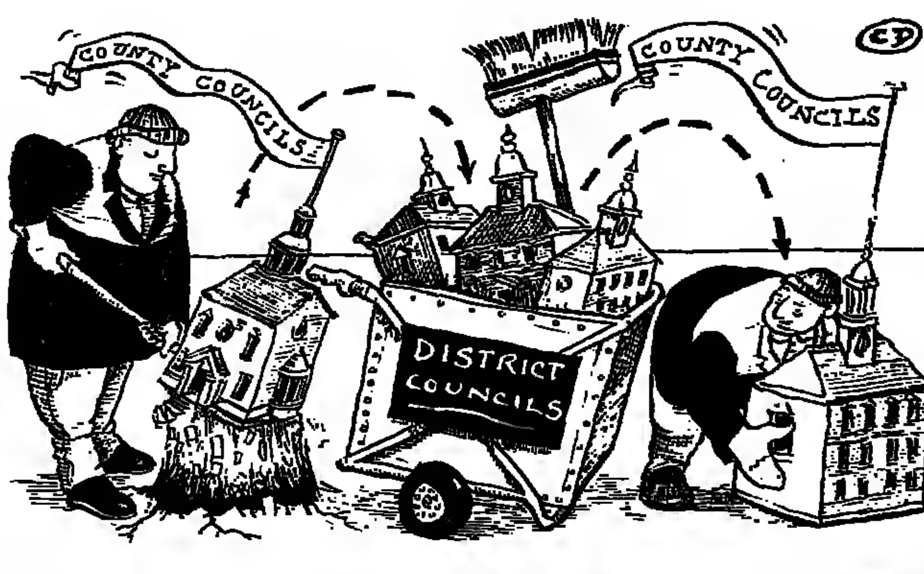
Mr Michael Heseltine set up the review in 1991 when, as environment secretary, he announced the abolition of the disastrous poll tax. He hoped to improve local government accountability by replacing the two-tier structure of county councils and district councils that covers most of England outside the large urban areas.

In their place, he wanted single-tier unitary authorities providing the complete range of local authority services from street cleaning to school education. He created the Local Government Commission, a quango chaired by Sir John Banham, to examine local preferences and come up with proposals county by county.

Mr Heseltine said at the time: "The government feels it right to begin the process of change towards unitary authorities to achieve more efficient and more accountable local government that will also reflect local people's own sense of identity with the community in which they live."

Although the legislation allowed for the survival of the two-tier system in some parts of the country, the first reports from the commission appeared to lean towards large unitary authorities. Mr John Gummer, the current environment secretary, told the commission in 1993 that unitary councils should be established in all but "exceptional" circumstances.

District councils had long lobbied the government with their "killing off the counties" campaign, and foresaw themselves as the basis for the new unitary councils. While the counties began to campaign for their survival, the districts became immersed in negotiations for mergers in order to form new unitary councils. This proved to be a strategic mistake.



The first setback for the cause of unitary authorities came in January 1994, when Lancashire County Council successfully challenged Mr Gummer's preference for them in the high court. A brilliant presentation by the county's barrister, Mr Duncan Ouseley, persuaded Mr Justice Laws to rule that Mr Gummer had behaved unlawfully in his advice to the commission.

Mr Robin Wendt, secretary of the Association of County Councils, believes that decision marked a turning point for the review process. The commissioners were stunned. They had just started work under Mr Gummer's guidelines, telling counties such as Kent that the status quo was not even an option. Informally, councillors had been told the commission's job was to "abolish Labour counties".

But it was just the signal the counties needed. They began to mobilise influential supporters to oppose their abolition. County councillors, often senior local Conservative politicians, soon found support on the government backbenches.

In Somerset, for example, all four Conservative MPs – including former cabinet minister Mr Tom King – threatened to vote in Parliament against the proposals to create three new unitary authorities. Mr David Heathcoat-Amory, now paymaster-general, even threatened to resign his ministerial post.

Lord Whitelaw, the former home secretary and deputy prime minister, launched a local campaign to keep Cumbria, attacking plans to split it into two as an "unnecessary irritant". In Oxfordshire, Mr Douglas Hurd took a break from foreign affairs to say that he had concluded there was no need to change the system.

Counties enlisted other powerful allies in the battle for public opinion. Over the first six months of last year, a series of professional bodies warned of the threat to important public services posed by the abolition of the counties.

Social work professionals raised the alarm in February, with the Association of Directors of Social Services provocatively raising the spectre of "a series of mini-Orkneys". This invoked the memory of the 1991 row when Orkney Islands Council – a small, unitary authority – reacted heavy-handedly against parents after "ritual sex abuse" allegations.

Over Easter, almost the entire educational establishment attacked reorganisation. The teachers' unions passed motions attacking it at their annual conferences. The National Association of Governors and Managers joined them, fearing that schools would be run by "inexperienced administrators with small budgets".

In May, the Library Association delivered a petition to Downing Street, enlisting the support of celebrities such as broadcaster Clive James. They predicted higher charges for borrowing books through the inter-library loan scheme, while dramatic and musical societies would have to pay for scripts and scores.

In June and July, the commission started publishing provisional proposals covering most of the country and it became even easier for the Association of County Councils to enlist public support against reorganisation. In Kent, for example, councillors found strong antipathy to the creation of new unitary councils close to London that would be "submerged" in the capital.

This campaigning was aimed at swaying public opinion during the commission's two-month consultation on its proposals. Although Sir John Banham denied that the exercise was a referendum, the commission appears to have treated it as one. In every case, the commission's final proposals have reflected the most popular option in the consultations.

The districts claimed the counties' campaigns were "scare-mongering". In August, the Association of District Councils produced a dossier saying the review had been "corrupted" by county council campaigns at public expense. They asked the Audit Commission, the local government finance watchdog, to curb county publicity spending.

Unfortunately for their case, the commission said it had had just as many complaints about the districts' spending on publicity. Individual districts had launched their own campaigns for unitary status – Southampton in Hampshire, for example, paraded Mr Lawrie McMenemy, director of the city's football team, to back its case for unitary status. Several other districts produced glossy brochures on plans for new structures, often arousing local ire as much as support.

Mr Wendt believes the districts' critical mistake was to fail to realise that the rules of the game had changed once Mr Gummer's guidance was overturned. "They were campaigning on what kind of unitary authorities should be created," he said. "What they didn't realise is that the review was about whether unitary authorities should be created at all."

Mr Roger Chater, deputy secretary of the Association of District Councils, suggests the counties' success was based on popular apathy over the issue. Turnouts for the consultation exercise were consistently low, while Mori opinion polls revealed almost total ignorance about the present structure. In Dorset, for example, 29 per cent of residents could not even name their county council, while in some areas as many as 42 per cent could not name their district.

Such considerations are likely to lead Mr Gummer to ask Sir John to look again at some recommendations, particularly for larger towns that hoped to regain control over education and social services.

But whatever the final shape of the local government map for England, it seems certain not to satisfy the government's desire that it should be largely covered by a network of unitary authorities. Ministers' hopes that the Local Government Commission would settle the issue for at least a generation have proved sadly awry.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Flaw in argument for taxing beneficiaries of higher education

From Mr Harvey Cole.

Sir, You advise Labour leader Tony Blair to use the tax system "to ensure that those who benefit from higher education pay the cost" ("The task for Tony Blair", January 9). This implies that the bill should fall on those who obtain the qualifications. That is far too simple an approach.

You clearly identify "benefit" with increased income. But many who secure degrees and diplomas nevertheless still have below average earnings. To the extent that they enjoy higher earnings, they pay a proportion of the margin in the form of income tax (and, for many, higher national insurance contributions).

However, the main oversight in your prescription is that the beneficiaries of higher education are much more numerous than those who actually take courses. Any first-year economist would tell you that a graduate will not be able to appropriate the full extra returns arising from investment in a degree; a proportion will accrue in the form of enhanced output and profitability for the company or organisation employing him or her, in improved achievement by his or her own pupils if they take up teaching, or to the community in many other ways.

The indirect beneficiaries will themselves enjoy higher incomes, and contribute correspondingly more tax, thus meeting your requirement. Why should the graduates be singled out to pay twice over?

Harvey Cole,
9 Clifton Road,
Winchester SO22 5BP

Simple answer to averting exchange rate crisis

From Dr M Panic.

Sir, I am very surprised that Professor Buiter believes that the only way for the next Labour government to protect itself against a serious exchange rate crisis is to make the Bank of England independent, allowing it to set and defend exchange rate targets (Letters, January 4). This seems to be a prescription for a constitutional (who governs the country?) as well as an exchange crisis! Just imagine what would have happened in 1992 had the Bank increased sharply interest rates to protect the exchange rate at a time when even a large number of Tory MPs, all with a fresh mandate from the country, wanted the government to do exactly the opposite.

There is, in fact, a simple and more effective way for Mr Blair to ensure that his government does not have to go through the traumas and humiliations experienced by virtually every British government since 1945, including the present one.

The Labour party should make it quite clear before the next general election, and repeat it as many times during the election as necessary, that exchange rate stability is important for countries, like the UK, which are highly integrated into the world economy. Hence, if elected, a Labour government would never introduce *intentionally* policies that are designed specifically to cause either depreciation or appreciation of sterling.

However, the policy statement ought to continue, in case of heavy buying or selling of sterling in financial markets, the next Labour government will react as follows: if the markets speculate in favour of sterling, interest rates will be reduced in order to prevent the appreciation; but if they speculate against the pound, the government will not intervene, leaving the rate to find its own level.

Then, if they win the election and the markets decide "to test" the Labour government, Blair and shadow chancellor Gordon Brown should act exactly as promised. After that, it is the would-be speculators who would have to worry about burning their fingers rather than, as in the past, yet another British government about losing first its credibility and then the election that follows.

One final point: adopting the policy that I am suggesting, the next Labour government would, obviously, have to stay out of the ERM. But this would not prevent Mr Blair, should his government and the British people wish so, from joining European monetary union – with a single currency and a single central bank – as in this case he would not have to worry about a potential sterling crisis.

M Panic,
Fellow and Bursar,
Selwyn College,
Cambridge CB3 9DQ

China's liberalised prices

From Ms Amanda MacKinnon.

Sir, I would like to correct a reference made in your "Chinese risks" leader (January 5) to controlled prices.

You say it is fear of inflation which has made the "government willing to liberalise controlled prices, which are an important explanation for SOE [state-owned enterprise] losses". In fact, 90 per cent of capital goods prices and 95 per cent of consumer foods prices are already fully liberalised. The main reasons for SOE losses are a combination of poor management, outdated technology and shortage of funds.

Amanda MacKinnon,
director of securities sales,
Bank of China,
90 Cannon Street, London EC4

Armed with an answer

From Mr Thomas Rosenberg.

Sir, Your scenario for 1995 in the Lex column (January 3) reminded me of the anecdote of President Harry Truman's search for a one-armed economist.

When asked why the candidate would have only one arm, Truman replied that it was because economists "are always saying 'on the one hand, but on the other hand' ".

Perhaps we now have forked tongued economists.

Thomas Rosenberg,
Le Villanchier,
84220 Roussillon,
France

Standards not realistic

From Mr Nigel Parkhurst.

Sir, You report that the Association of Graduate Recruiters is unhappy with the standard of applicants ("Employers not impressed by calibre of graduate applicants", January 5). According to the chairman of this body, there is difficulty in filling some posts even when they attract 100 or more applications.

The members of the AGR should come to terms with the potential labour force as it is and not as they would like it to be. Either they are setting standards unrealistically high, or they are attempting to recruit graduates just out of university for positions that should really be filled by young people with genuine work experience (or, indeed, smarter competitors have already taken on the candidates they are looking for). In any of these cases the AGR does not deserve sympathy.

Perhaps discerning graduates, despite their "lack of business sense", are not even very interested in competing for the privilege of being employed by organisations which do not have their feet on the ground.

Nigel Parkhurst,
25 Rue D'Astorg,
75008 Paris, France

A revolution too far?

From Dr J H Mulvey.

Sir, A question to Vanessa Houlder ("Revolution in outsourcing", January 6): if the trend of increasing outsourcing of research and development continues apace, who, in years to come, will determine what R&D should be purchased by our cost-conscious but short-sighted industries with no active research scientists and engineers of quality in their employ?

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Wednesday January 11 1995

Markets catch a chill

Everyone knows that globalised capital markets can cause markets in far-flung locations to lurch in tandem. A sneeze from the US Federal Reserve often means a cold for Europe, and rather worse ailments further afield. But this week's market events appear to show the chain reaction operating in another direction. While the Mexican government has struggled to stabilise its domestic currency and equity markets, bond and currency markets in Brazil, Argentina, Italy, Sweden, Spain and Canada have likewise headed south.

Does this mean that first world countries can now catch a chill from events in the third? The short answer to that question is no: by and large, domestic events in these countries can explain the dramatic fall in market sentiment. Bnt the day when markets in developed countries reflect similar risks to those in developing ones may not be very far off.

Asian and Latin American "emerging markets" are suffering directly as a result of Mexico's devaluation and snbsequent travails. That was to be expected. Equally predictable, and welcome, are signs that international investors will, in future, discriminate more carefully between the various emergent nations.

The recent "flight to quality" in world markets has also cast a harsh light on Sweden, Italy, Spain and Canada. They share with Mexico the general danger that a combination of economic and political fragility will cause them to renege on past promises – even if they are not, yet, in the same boat.

Take Sweden, which has been suffering ever since Moody's, the US rating agency, decided to downgrade the country's sovereign debt. Mr Göran Persson, the finance minister, hoped to calm fears witb yesterday's budget, although its contents have been known for some time. The plan is to stabilise the level of government debt – now nearly 90 per cent of GNP and rising – by 1997.

The Social Democrat coalition government has shown itself willing to go a good part of the way to getting the public finances under control. But the budget is over-optimistic on two important points. The first is that the needed cuts in the level of state welfare spending will be easier to impose in 1996 and 1997 than 1995. This is by no means obvious. The second is that lower interest rates, in future, will lower the cost of servicing the debt by around Skr18bn. Yesterday's rise in bond rates makes this a rather fanciful hope, although Mr Persson will find it extremely difficult to win further cuts.

Political risks similarly hang over the fiscal outlook in Spain and Italy, yesterday's other main European losers. In Spain, this cannot be pinned on an exploding debt: last year tbe Spanish national debt ratio was the lowest in western Europe. But neither government appears to be fully in control. Rich and poor countries may not be truly comparable, but in a global capital market no government can afford to foster such doubts for long.

Jaguar bait

Ford, the US carmaker, knows when it has good bargaining chips. In March it won £9.4m in grant aid from the government for Jaguar, its luxury car subsidiary, to deter it from moving the assembly of the next generation Jaguar XJS to Portugal. Now it wants between £80m and £100m in aid to support the production of a new range of Jaguar cars in the UK.

Ford can hardly be criticised for chancing its luck; it loses nothing if turned down. But many will feel unease at the sight of a highly profitable company, the world's second largest vehicle manufacturer, asking for state handouts.

For the UK government, Ford's request is politically tricky. Ford has threatened that if it gets no financial help, Jaguars could be built overseas for the first time. Mr Alex Trotman, Ford chairman, provocatively declared last autumn that his US plants "could build Jaguars just fine".

But emotive as Jaguar's emigration would be, there are no grounds for treating Ford differently from other investors. The Department of Trade and Industry should consider simply whather Ford is the best target for funds. Even if spread over several years, the requested grants would consume much of the UK's selective regional aid budget, set this year st £101m.

According to Ford, the proposed investment in Coventry and Birmingham, which could reach $500m, would create more than 1,000 jobs at Jaguar, and thonsands more in the motor components industry. Depending on how many workers would otherwise be receiving unemployment benefits, the government may think the purchase of Jaguar jobs cheap at the price. But it should look sceptically at the argument that grants are needed to coax investment in cars. Honda and Toyota received no state grants for their recent investments, which they located outside regions earmarked for state aid.

Similarly, the European competition directorate, which would have to consider whether a grant complied with competition law, should take a robust look at any award. Its guidelines for state aid to vehicle manufacturers were prompted by concern about unfair competition in a sector suffering from overcapacity. Its record in tackling such problems in other sectors which have enjoyed prodigious state aid – notably steel, synthetic fibres and airlines – has been poor. The concessions it has made to national interests have damaged the single market and Europe's competitiveness.

In an ideal world, the domain of state aids would steadily shrink under the application of European competition policy. The best that can be hoped for at present is that European and national policy on state aids is consistently and rigorously applied, and that where hureaucratic discretion is exercised, the reasoning is made public. The Ford case merits the toughest scrutiny. Despite the political sensitivities, UK ministers should call Ford's bluff.

Europe calls

The telecommunications alliance announced yesterday between British Telecommunications and Viag, one of Germany's leading utilities groups, is good news for German consumers and a step forward for telecoms competition across the EU. If it serves to accelerate the timetable for liberalising telecoms services in Germany, it will be a breakthrough.

For all the razzmatazz, yesterday's alliance in itself is small beer. It is necessarily restricted to the provision of data communications and private corporate networks because Germany's public "voice" network – which carries the bulk of the country's telecoms traffic – remains a Deutsche Telekom monopoly until the EU's 1998 deadline for full competition in telecoms services. The emergence of a viable national competitor to Deutsche Telekom strengthens the case for Germany to bring forward that deadline.

Such a course would not suit Deutsche Telekom, whose management is in flux. Nor would it suit the German finance ministry, which wants to maximise its return from the impending privatisation of the state telecoms group. But it would greatly benefit German consumers and industry. In the US and UK, where competition is well-established, pressure on costs and prices has been intense, while incentives to improve services have been continuous.

If that were the sole consideration, it might nevertheless be considered unreasonable to expose Deutsche Telekom to early competition as it faces privatisation, the upgrading of networks in eastern Germany, and massive restructuring difficulties. However, the state group is itself inviting a decision to bring forward the 1998 deadline through its moves to enter the competitive international market for the provision of "one-stop" networks to multinational companies.

Last year the German and French state operators forged a $4hn alliance with Sprint, the third-largest US long-distance telecoms company. The deal followed a simllarly expensive tie-np between BT and MCI of the US. It reflected the anxiety of France Telecom and Deutsche Telekom at the prospect of BT and US groups cornering the potentially large market for multinationals.

The French-German-Sprint alliance is currently before regulatory authorities in Brussels and Washington. They should make consent conditional upon an early opening of the French and German public voice telecoms networks to competition. To do otherwise would raise the prospect of monopoly European revenues being used to subsidise one of the main operators in the US. Within Europe, it would serve to constrain effective competition just when greater liberalisation is the imperative.

This is an issue of importance far beyond the telecoms industry. The race to the information society is a significant aspect of national and regional competitiveness. And the main vehicle on the "superhighway" is cheap and advanced telecoms.

Warburg breaks the bond

John Gapper and Richard Lapper on questions raised by the UK group's decision to quit the eurobond market

By curtailing severely its bond operatinns and pulling ont of the $400bn a year eurobond market that it created 30 years ago, S.G. Warburg is making a revolutionary claim. The UK's leading investment bank believes it can become a global force rivalling US firms such as Goldman Sachs and Merrill Lynch without a significant international bond operation.

It is an extraordinary ambitinn. Since the eurobond market was launched by Sir Siegmund Warburg with a $15m deal for Autostrade Italiane, the Italian road-building company, in July 1963, few investment banks have regarded their business as being complete without an operation to manage the issuing of international bonds, and to trade them after issue.

Bnnds have been central to investment banks because large companies overwhelmingly use capital markets for financing, rather than borrowing money from banks. Companies also carry out such transactions more often than they issue new shares, or require advice on mergers and acquisitions – the two other traditional services investment banks provide.

Investment banks that provide a full range of financial services have therefore seen bond operations as an integral part of their business. For this reason, Warburg's decision shocked nther investment hanks yesterday. "I do not see how you can claim to he an integrated investment bank unless you nperate in international bond markets," said one banker.

If the claim is true, it will provnke awkward questions at many other banks that have suffered from narrowing margins and trading losses in eurobonds as well as government bonds. Eurobonds – bonds sold and traded offsbore to international investors – have increasingly come to be seen as a "loss leader" for other, more profitable business.

Warburg will continue to issue sterling bonds on behalf of UK companies and sell them to domestic investors, and will also trade US treasury bonds. But it will stop making a market in government and corporate bonds in nine European currencies, and eliminate the international salesforce that traded bonds abroad which gave it tbe capability to issue eurobonds.

To an extent, the move is simply e recognition of reality. Warburg's position in eurobonds has gradually slipped since the first five years of the market, when it was the third largest issuer. Its prominent position in sterling eurobonds last year – it was second to HSBC Group – only put it in 21st position among banks in the global market.

The strongest players in the eurobond market – as well as in government bonds – are now the large US investment banks, and big banks with strong balance sbeets including Swiss Bank Corporatinn, J.P. Morgan and Deutsche Bank.

The difficulty for Warburg simply carrying on a relatively small international bond issuance and trading arm was twofold. First, 1994 was one of the worst years in bond markets in recent memory because of falling prices caused by the tightening of US monetary policy. This led to Warburg's discontinued operations making a £7m loss in six months.

The second difficulty was expense. Warburg estimates it will save £25m in costs annually by laying off 180 staff and closing sales arms that were not covering costs. To cover distribntion costs, it had to issue and sell e greater variety of bonds. It tried to vary its range by issuing bonds in otber currencies, but only piled up further costs.

For this reason, the immediate stock market reaction to the move yesterday was positive, with Warburg's share price closing 9p up at 683p. Analysts greeted the move as evidence that the UK bank was taking decisive action to improve profits in the wake of the collapse of merger talks with Morgan Stanley, the US investment bank with stronger bond operations.

Mr Philip Gibbs, analyst at BZW, the investment banking arm of Barclays, said yesterday that firms such as Warburg had run risks by trying to provide all services. "You start as a corporate finance house, and very quickly you start to think you need to distribute equities and bonds, and then you get into trading which is risky, and consumes capital," he said.

The eurobond market has grown extremely over-crowded both with investment banks and the large commercial banks, which have seen it as an obvious entry-point in their effort to expand into investment banking. About 100 banks and securities houses are active in primary issuing, and many more trade eurobonds in the secondary market.

Mr Cliff Dammers, secretary-general of the Internatinnal Primary Market Association, a trade association, says that many banks have found their costs unsustainably high. "It has all added up to a nigbtmare for banks witb large trading forces, large trading rooms and hig inventories [bonds held on balance sheets]," says Mr Dammers.

Last year's bear market in bonds forced banks to sell them at a loss to clear them from their balance sheets. As long as hond prices were rising, they did not face this risk. "During a bull market underwriting costs were largely paid by investors. In the hear market, they are being paid by the intermediaries," says one eurobond manager.

Growing competition has also undermined recent effnrts by hanks to keep the prices of eurobonds stable and maintain market discipline through voluntary agreement. After a period of fierce competition and losses, banks agreed in 1989 that all members of a banking syndicate should initially offer bonds to investors at the same price.

But over the past year, this system bas been weakened as banks have offered favourable terms to issuers, but failed tn sustain the price in the secondary market. In addition, lead managers – banks that administer the work of syndicates – have abused the system by offering to sell bonds to clients at lower prices than they expect the bonds to trade.

These pressures have eroded margins enjoyed by banks. In the early days of the euromarket, when there were far fewer issues, fees for raising eurobonds could frequently amount to as much as 2½ per cent of the amount of money raised. That amount has dwindled to ¼ per cent, and some banks say margins have fallen further.

This has tilted the market in favour of banks that can undertake a high volume of issues, and have strnng halance sheets that enable them to absorb the risk of not being to able to sell bonds after they are issued. The big commercial banks that have achieved strong positinns in the market are at an advantage.

Furthermnre, banks with good credit ratings can more easily undertake derivative transactions such as swaps, which attract higher margins. Mr David Band, cluef executive of BZW, says that the ability to swap the currency of eurobond issues is crucial to earning acceptable returns. Warburg was not regarded by analysts as being strong enough in derivatives.

Given all this, Warburg's decision to pull out appears rational. But the outcome will turn on whetber it will lose business in other activities by dolng so. The ones most at risk appear to be its equity issuing and trading operations, and its lnng-standing relatinnships with companies to which it provides corporate finance advice.

Mr Band says that Warburg's inability tn issue and distribute bonds internationally may reduce its chance of handling more profitable equity issues nn behalf of companies, or advising European governments on privatisations. "If you are not doing the day-to-day things for clients, it makes it harder to get in at the top table," he says.

In reply, Warburg may argue that it has already establisbed a strong equity-based business and fund management arm. If it manages to become a global investment bank without a presence in international bonds, it will be a remarkable feat. It may also tempt plenty of other banks currently suffering in tbe eurobond market to follow the example.

Additional reporting by Grohom Bowley

SG Warburg: costly exit

Lead managers: eurobonds
1994

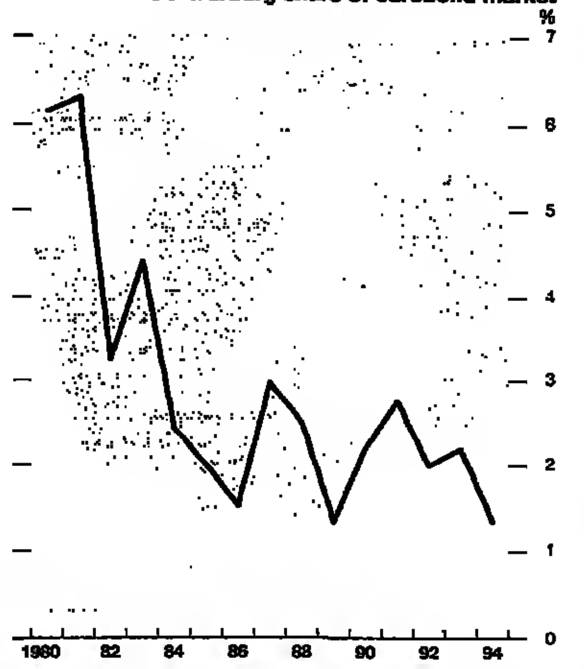
Rank	Issuer	Amount \$bn	No. of issues	Share %
1	Merrill Lynch	32,886.95	140	8.92
2	Goldman Sachs	22,740.33	89	6.17
3	CS First Boston	22,373.62	84	6.07
4	Swiss Bank Corp	18,690.93	94	5.07
5	Nomura	18,615.23	105	4.51
6	Lehman Brothers	16,363.10	84	4.44
7	Morgan Stanley	15,724.65	80	4.26
8	JP Morgan	15,666.23	83	4.25
9	UBS	13,827.86	47	3.75
10	Daiwa Europe	13,563.22	68	3.68
21	SG Warburg	4,973.80	28	1.35

Lead managers: Sterling bonds
1994

Rank	Manager or group	Amount £m	No.	Share %
1	HSBC Markets	2,945.00	21	14.72
2	SG Warburg	2,408.33	22	12.03
3	UBS	2,111.10	14	10.55
4	BZW	1,965.80	17	9.82
5	JP Morgan	1,504.38	10	7.52

Sources: Euroweek, Euromoney Bondware

SG Warburg share of eurobond market



Iraq does not deserve benefit of doubt

PERSONAL VIEW

For more than four years, the resolve of the UN Security Council in maintaining sanctions against Iraq has been clear and consistent. On 22 occasions, the Security Council has reviewed the sanctions imposed after Mr Saddam Hussein's 1990 invasion of Kuwait. On 22 occasions, it has unanimously concluded that no changes were warranted.

Now Mr Saddam is poised to make another appeal for leniency. The response of the Security Council when it again reviews the sanctions on January 12 must be the same: no easing of sanctions until Iraq demonstrates its peaceful intentions by honouring all the obligations set nut hy the UN.

Mr Saddam is not a leader to whom the UN owes, or can afford to extend, the benefit of the doubt. A partial easing or lifting of sanctions after a trial period would remove any incentive to resolve outstanding questions on past weapons programmes, or to fulfil his other obligations. There can be no doubt that Mr Saddam will attempt to rebuild his arsenal once he is again permitted to sell oil.

The Clinton administration has rejected Iraqi efforts to define its obligations to tbe UN in narrow terms. Underlying these obligations is a proposition so basic that it was articulated by the Council in the opening words of the 1991 ceasefire resolution (UNSCR 687): normalisation of Iraq's relations with the international community must rest on "the assurance of Iraq's peaceful intentions". The US has insisted that Iraq comply with all requirements in UNSCR 687 and subsequent resolutions for a simple reason: they are the means the UN has afforded Iraq to demonstrate that its intentions are in fact peaceful.

In setting terms to end hostilities, the Council was in 1991 determined that Iraq should never again threaten its neighbours or be a source of regional instability. For that reason, UNSCR 687 focused nn areas in which past Iraqi transgressions made specific Iraqi actions necessary: clear, formal and unambiguous acceptance of UN demarcation of the border with Kuwait; a full accounting nf all Kuwaitis wbo disappeared during tbe occupation; the return of plundered Kuwaiti goods; an end to terrorism; and a full accounting of and eliminatinn of all programmes for developing weapnns of mass destruction. In UNSCR 688, the Council subsequently demanded that Iraq stops internal repression that – in additinn to its horrific impact on Iraq's own people – destabilises horder areas of its neighhnurs.

There should be no action to lift sanctions until Iraq has established its 'peaceful intentions'

Four years after tbe UN laid out what Iraq must do, Baghdad continues to avoid its nbligatinns. Unscom's chairman in a December report to tbe Security Council indicated that Iraq has failed to give a full accounting of past weapons programmes.

The fate of hundreds of Kuwaiti citizens remains unknown, and hundreds of millions of dollars of Kuwaiti military equipment and other loot remains in Iraqi hands. Examples of Iraqi government terror against UN personnel, relief workers and the regime's opponents are well documented.

Repression of Iraqi citizens continues, as the regime maintains its total embargo of food and electricity against the north, and destroys the traditional habitat of the marsh Arabs in the south. And how credible are actinns by Mr Saddam's rubber-stamp legislature and Revolutionary Command Council to recognise Kuwait, wben his son, Uday, has admitted publicly that Iraqi newspapers stopped referring to Kuwait as Iraq's "19th province" only to manipulate the UN?

The US and other members of the Security Council are sensitive to the suffering of the Iraqi people, whicb is wby the sanctions regime excludes food and humanitarian aid and provides for the sale of Iraqi oil in excbange for food. It is Mr Saddam who refuses to avail himself of this opportunity to alleviate hia people's snffering, even as he builds new palaces for himself.

The UN should not allow Mr Saddam to believe that its obligations can be bonoured à la carte.

The Council must continue to send Bagbdad a clear message: there will be nn action to lift nr modify sanctions until Iraq has established, to the Security Council's satisfaction, its "peaceful intentions" by complying fully with all relevant UN resolutions.

That was the right standard when the UN voted to end bostilities in 1991. It remains tbe right standard today.

Peter Tarnoff

The author is under-secretory of state for political affairs of the US State Department

OBSERVER

Monitor Molitor

■ The world's industrial countries have acquired a new econnmic policy inquisitor in the person of Bernhard Molitor, a former senior German economics ministry official.

Molitor, 62, whn was the ministry's director general for economic policy until retirement last August, was elected this week to be chairman of the economic and develnpment review committee (EDRC) of the 25-nation Organisation for Economic Co-operation and Development.

That means he will be in charge of the annual examination of member countries' economies and policies, and chair the meetings in which officials from OECD member states quiz government officials from the countries under review.

The post might once have been a pleasant sinecure after the stress of years in high office. No longer – the OECD is taking its surveillance role more seriously. Molitor will be shuttling from Paris to examine the OECD's 25 industrialised member countries and other nations – sucb as the Czech republic, Hungary, Poland and Slovakia – which are queueing up to join.

Will Molitor shake things up? A plain speaker who does not suffer fools gladly, be might cut through the cautious drafting that often mars the OECD's country reports which encourages the – undoubtedly false – impression they are "doctored" so as not to nffend member governments.

Sweet and sour

■ Alasdair Morrison, Jardine Matheson's Taipan, may he trying to patch up his firm's relations with China hut there is nn denying the short-term benefits of the decision to delist JM and its soul-mate, Jardine Strategic, from Hong Kong.

Just over a week after the share trading was transferred to Singapore, the price of Jardine stock has risen nearly 7 per cent and Jardine Strategic is over 8 per cent up. By contrast, the Hong Kong market is down 8 per cent this year. Could this be the start of the long promised re-rating of Jardine paper?

Pomme deter

■ Given the cultural aspirations of so many Frencb political figures, what metapbors should we read into the apple tree adorning the front cover of the latest manifesto – a book entitled *France for all* – published yesterday by Jacques Chirac, the presidential contender?

There must be more to it than his banal explanation to the French press yesterday: "I like apples a lot, I thought [the picture] was nice and I like cider".

Perhaps it has mnre to do with the forbidden fruit of campaign victory against his rivals, such as Edouard Balladur, the prime minister, who is way ahead in the polls. Or maybe it is a warning, following the French expression *le vers est dans la pomme* – trouble's brewing.

Waxing creative

■ A colleague recently went to interview Ed Wax, one of tbe twn new arrivals on Saatchi & Saatchi's fast moving board of directors. One nf the highest nf the agency's high-rollers, Wax was his usual laid-back amiable self, until be noticed the interviewer's socks. He sprang forward and said, beamingly: "Hey! red socks! You're a creative!"

But besides his astute eye-brain co-ordination, Wax's sudden elevation may also owe something to the fact that he has a partner Saatchi cannot afford to lose. He plays golf with the movers and shakers at Procter & Gamhle, probably Saatcbi's most important client.

Maples' leafdrop

■ Would-be Tory MPs looking for a safe seat at the next election – there should still be one or two left – take note. Any acknowledged connection with Conservative central office is proving a distinct handicap.

John Maples, 51, former Treasury minister, is the latest victim of the bitter mistrust between local Tory associations and party HQ. Author nf the now infamnus leaked memo explaining wby the government is so unpopulnr, Maples has failed to make it on to the shortlist for the safe Wnking seat being vacated hy Sir Cranley Onslow.

Despite his reputation for being one nf the sharpest ministers in the last government, Maples' post as a part-time deputy chairman at central office apparently was held against him by association officers. Maples must be feeling jinxed; the West Berkshire Tories turned him down for Newbury when that seat fell vacant in 1993, preferring Julian Davidson – wbo nonetheless lost.

By contrast Michael Fallon, 42, another ex-minister, has made it through to the final round. He opened his presentation to tbe association with an assurance that he had never been inclined to toe the central nffice line.

Bombay duck

■ London First, the business-led initiative promoting the UK capital, has started breeding. Stephen O'Brien, London First's chief executive, and the Corporation of London's Michael Cassidy, have been to Bombay to help advise on a Bombay First initiative designed to belp build that city's financial and business infrastructure.

Good to see that Britain still bas something worthwhile that it can export to Asia. Let's hope that Bombay First clocks up rather more substantive achievements, rather more quickly, than its Londnn counterpart has done – before the unkind jibes start ebout one third wnrld city helping another.

High wire act

■ British Telecommunications flew into Municb yesterday, but seemingly left an important hit of baggage behind.

The company was there to unveil an ambitious joint venture with German industrial conglomerate Viag. But who would be running the show? Hans Jochen Weiher, the former Ford executive who heads Viag's telecommunications subsidiary, was present and correct for the German side, but where was BT's opposite number?

While Weiher looked distinctly uncomfortable bogging the stage all by himself, this is not the first time BT has been caught napping. It was not until two months after the 1993 unveiling of Concert, the joint venture with US carrier MCI, that the Brits found somebody who fitted the bill.

No jokes please

■ Can't fault the Tories on their timing. This year's Conservative Central Council meeting is on Friday March 31; and winds-up on April Fools' Day.

FINANCIAL TIMES
Wednesday January 11 1995

Jardine seeks to soothe Beijing over HK delisting

By Simon Holberton in Hong Kong

Jardine Matheson, the British trading and investment company that quit the Hong Kong stock exchange at the end of last year, yesterday said it regretted any offence caused to China by its actions.

Mr Alasdair Morrison, managing director, went as close as he could to apologising to China without actually doing so when he told a luncheon: "Plainly some of Jardine's actions have caused offence in China in recent years. That is a matter of regret to us."

He also held out the possibility that the company might seek a stock exchange listing in China in the future. He said Jardine valued its historic links with China and he hoped it would not be too many years before the company's shares were listed in China again, either Hong Kong or Shanghai.

Mr Morrison's near apology to Beijing was approved by the Keswick family which exercises great control over Jardines from their base in London. With the company's transfer of its share listing to Singapore at the beginning of this month the time was judged right to make peace with Beijing.

The speech was also seen as an attempt to shore up morale among the company's 56,000 Chinese staff in Hong Kong and reassure its business partners. "They do have an image problem and it is affecting business and their employees," said one observer.

Jardine's relations with China, which go back 160 years, have rarely been harmonious.

Lately, Beijing has accused the company of interfering in Hong Kong politics and was livid at its decision to delist from the colony's stock exchange.

That move was interpreted as a vote of no confidence in Beijing's ability to manage Hong Kong after it reverts to Chinese sovereignty in 1997.

The fight with China has cost Jardine dearly. Its hopes of participating in the ownership of the ninth extension to Hong Kong's container port await a change in Beijing's hostile attitude toward the company.

Recently there were reports that China objected to the company's proposed involvement in airport services for Hong Kong's new airport.

Mr Morrison explained Jardine's decision to delist from Hong Kong as following a decision to "reposition" the company. When, early last year, the company could not obtain an exemption from the jurisdiction of Hong Kong's takeover code the only avenue open to it was to delist.

"But I cannot emphasise enough: it has been a regulatory and corporate governance repositioning not a business repositioning," he said.

Observer, Page 13

Warburg staff out of work and out to lunch

By Nicholas Denton

One group of S.G. Warburg employees yesterday reacted to their dismissal by reviving a City tradition: the three-hour lunch. Bond market administrative staff, told to leave by the end of the month, were still downing pints of beer in mid-afternoon at a pub near the investment bank's headquarters in the Broadgate centre.

Others enjoyed – or rather endured – enforced leisure at home.

On Monday, Warburg announced it was curtailing bond operations and pulling out of the eurobond market, which its founder Sir Siegmund Warburg, had set up 30 years ago. The cost was 180 jobs. Some were told to leave that evening.

The news came as a surprise when settlements staff were called to a meeting at 5pm, as the markets closed. People in bond operations had been nervous when Warburg announced negotiations to merge with Morgan Stanley, the US investment bank, which would have resulted in staff cuts.

But the collapse of the talks and Warburg's public commitment to continue its strategy of developing as a global force gave a sense of security. That sense was shown to be illusory."This really came out of the blue," said one employee of the fixed-interest and treasury division, which runs the bond activities. "Everyone was relaxing after the Morgan Stanley business."

The speech by the head of the division on Monday was brief. One phrase stuck with his listeners: "We regret to inform you that you are no longer required." A few staff were spared to act as undertakers for the Eurobond business.

"I'm gutted, basically," said a young trainee who lost his job. "A couple of people cried." Those who were spared were also unnerved. "The people who were most upset were those who were staying," he said.

An information technology specialist said the bond traders were high earners who could walk into another job. "You have to shrug your shoulders and say: these things happen." He was safe, he said, and indifferent. "I'm a family man and you have to look out for number one."

By yesterday at least, a layer of resignation overlaid the anguish. "It's the kind of industry it is. You're here today, gone tomorrow," said one stoic in the bond operation. One young employee, a child of Margaret Thatcher's 1980s, found solace in a phrase she would appreciate. "It's the market working," he said.

Warburg breaks the bond, Page 13
Barry Riley, Page 15

Japan deal

Continued from Page 1

company has been unable to manage public pension investments. "We would be able to bid for that money for the first time, and that's a trillion dollar market," said Mr Pozen.

Agreement between the US and Japan on financial services has been regarded by both governments as an important step towards resolving issues left outside the multilateral trade agreement under the Uruguay Round of the Gatt.

US officials say the bulk of the deregulation agreed with Japan can be implemented this year, though they were unable to give specific timings yesterday. Mr Frank Newman, acting US Treasury secretary, said that, although much remains to be done, the pact improved the prospects for an agreement in the financial sector talks still under way in the Uruguay Round and due to be completed in July.

Foreign trust banks in Japan manage only 1.7 per cent of the public pension funds and 0.3 per cent of private pension funds, which the US Treasury has suggested are generally awarded on the basis of corporate relationships. The public pension fund market is estimated to be worth Y46,000bn.

Foreign fund managers have also been hampered by asset allocation restrictions which, for example, limit the proportion of investments a fund can hold in foreign securities.

Sweden cuts welfare in austerity budget

By Hugh Carnegy in Stockholm

Mr Göran Persson, Sweden's finance minister, yesterday announced sharp cuts in public spending in a government budget aimed at lifting the country out of the "economic morass" caused by heavy public debt.

Outlining his budget proposal for the 18 months from July this year, Mr Persson added SKr21.7bn ($2.9bn) in spending cuts to SKr56.4bn in tax increases and expenditure cuts already introduced. The new reductions affect virtually all areas of government, but are heaviest on the welfare system, hitherto the core of the ruling Social Democratic party's policies. The social department is to cut SKr8.4bn in projected spending, including reductions in child allowances, pensions and sickness benefits. "We cannot get ourselves out of this economic morass without it hitting every single household," Mr Persson told parliament.

With measures taken by the previous government, tax rises introduced to pay for Sweden's EU membership and interest charges savings, Mr Persson said the budget deficit, which was about SKr200bn last year, would be cut by SKr114bn by 1998.

"This is the most powerful package ever. It includes spending cuts of up to 4 per cent of GNP," Mr Persson said. "I don't think you would see any other country with the power to do that."

However, the budget received a cool reception from financial markets, industry and the opposition. Long-term interest rates, which Mr Persson is hoping to get down to reduce borrowing costs and stimulate economic growth, went up, with yields on five-year government bonds rising 12 basis points to 10.67 per cent. The D-Mark strengthened slightly to SKr4.88.

Attention will now turn to getting the budget proposals through parliament, where the government is in a minority. Some observers warn that the government could run into trouble if interest rates fail to fall and Mr Persson is forced to introduce additional measures.

He said the budget would stabilise the state debt, now running close to 90 per cent of GNP, in 1997 at levels below 100 per cent of GNP. He predicted the budget deficit, 13 per cent of GNP in 1994, would fall to 7 per cent of GNP in 1996.

Critics said the budget projections were over-optimistic, citing the SKr18bn the government expects to save in interest costs and its belief that private consumption will rise despite lower net incomes in 1995.

Russia agrees to Chechnya mission

Continued from Page 1

This contradicted suggestions that his influence had been eroded by a cabal of aides and military hardliners.

"The president is head of the security council and commander in chief. His role is a very, very central one," said Mr Oleg Lobov, secretary of Russia's Security Council, which co-ordinates national security policy.

Mr Yeltsin did not appear on television until December 27 to explain why Russian troops had been sent into Chechnya two weeks earlier. On two separate occasions his public orders to stop the bombing of civilians have been flouted.

THE LEX COLUMN

BT charges Germany

Viag may, at first sight, look a rather odd choice as British Telecom's German partner. Its telecoms ambitions are less far advanced than those of rival energy-based utilities RWE and Veba, but that may actually be one of Viag's attractions. BT will find it easier to stamp its personality on their joint venture than it would have with RWE or Veba. BT will also be hoping that its partnership with Viag gives it the best chance of winning a licence when Germany's market for basic telephone services and infrastructure is opened to competition. The full backing of the Bavarian government, Viag's largest shareholder, will certainly be helpful.

The German telecoms market is particularly attractive for BT. Not only is it Europe's largest, but tariffs and therefore prospective margins are relatively high. Given that many business customers believe they are being overcharged by Deutsche Telekom, it should not be too hard for the joint venture to win market share. Moreover, the incumbent monopolist's heavy debt burden will probably make it reluctant to respond by cutting prices more than it is required to by regulation.

The stock market's warm reaction to BT's deal was appropriate. There is a growing appreciation that the group's international strategy is more focused and better executed than its poorly thought-out deals of the 1980s and early 1990s. But, despite the good recent run, the share price does not yet contain any premium to reflect the fact that BT is now fairly well positioned to address continental European markets. As that perception sinks in, the shares should rise.

Power generators

The arguments in favour of investing in PowerGen and National Power are clear. They both have strong balance sheets. They generate abundant cash which allows them to maintain capital expenditure and finance share buy-back programmes while stepping up dividend payments to shareholders. The commitment to bring dividend cover down to 2.5 times or less within the next two years implies a payout significantly ahead of that for the market as a whole. Hence total returns promise to be attractive even as earnings growth slows.

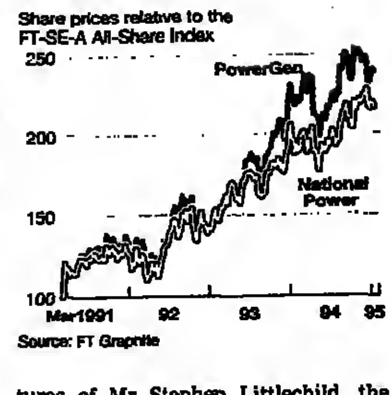
The medium-term investment risks are regulatory and political. It remains to be seen how the companies plan to sell off plant to comply with the strictures of Mr Stephen Littlechild, the industry regulator. A future Labour government might decide to impose a windfall tax on generators' profits.

In the short term, the normal risks of short-selling associated with secondary issues have been diminished. Existing shareholders might have been tempted to dump stock in order to force down the market price and hence the price they needed to offer for new shares. But the investment banks in charge of the issue have the right to refuse offers for new shares on "qualitative" grounds, ie to those institutions judged to have been unsupportive investors in the past. Institutions will be doubly reluctant to sell now if they sense that their allocation of new shares will scaled down in favour of retail investors. This could lead to a scramble to buy shares in the market once the offer is complete.

FT-SE Index: 3060.4 (+4.6)

Power generators

Share prices relative to the FT-SE-A All-Share Index



Source: FT Graphite

SBC

The city has not been slow to decry Swiss Bank Corporation's aggressive push into the cosy world of UK corporate finance. Yet reaction to its latest addition to the corporate finance armoury, Trafalgar House's controversial contracts for differences, has been surprisingly muted.

SBC has provided Trafalgar with a quasi-option package against the share prices of various regional electricity companies. Of course it is not uncommon for companies to buy shares in a target prior to a bid. But SBC has purified the profit motive by removing the justification that this buys votes and demonstrates commitment to the target. Trafalgar has bought no votes, and has gained exposure to other recs which would be expected to benefit from its Northern Electric bid.

SBC appears to have done this on the basis that it "facilitates" the acquisition. This is a broad interpretation of insider trading rules, as the only benefit is paying Trafalgar's bills. In addition, institutions selling shares prior to the offer might feel peeved. The contracts meant Trafalgar was not obliged to disclose its interest in Northern. In addition, investors were less likely to be alerted to the bid, since Trafalgar did not buy any shares. It is fair to assume SBC has ruffled numerous feathers in pursuing this transaction, but its competitors have an obvious incentive to maintain the status quo. Any move to reinterpret the takeover rules might end up in tightening them, and who wants to discourage such a lucrative source of business?

Currencies

The whiff of a currency crisis drifted across European markets yesterday. The lira and peseta reached all-time lows against the D-mark while the Swedish krona dropped nearly 1 per cent. It would be easy to blame Sweden's huge budget deficit and the political problems in Spain and Italy, but these in themselves would have been incapable of creating the current tensions on their own.

An underlying factor is the expectation that the Bundesbank will soon raise interest rates. The bank, anxious about Germany's narrow output gap, is keen to control incipient inflation. But while a rate rise might prove the perfect tonic for Germany, it could be disastrous for the economies of Italy and Spain. These countries need growth to reduce unemployment, boost tax revenues and cut budget deficits. A rise in interest rates to protect their currencies would dash hopes for growth and increase the cost of servicing their debts. The money markets doubt that the politicians have the will to inflict the economic damage necessary to defend their currencies. The higher yields on the peseta and lira do not sufficiently offset the risk of devaluation; hence yesterday's flight to quality currencies such as the D-mark and the Swiss franc.

A resolution to the political crises might help the lira and peseta; Sweden cannot solve its budget deficit so easily. But even if the currencies weather the present storm, they cannot escape the tempest that will follow Germany's eventual monetary tightening.

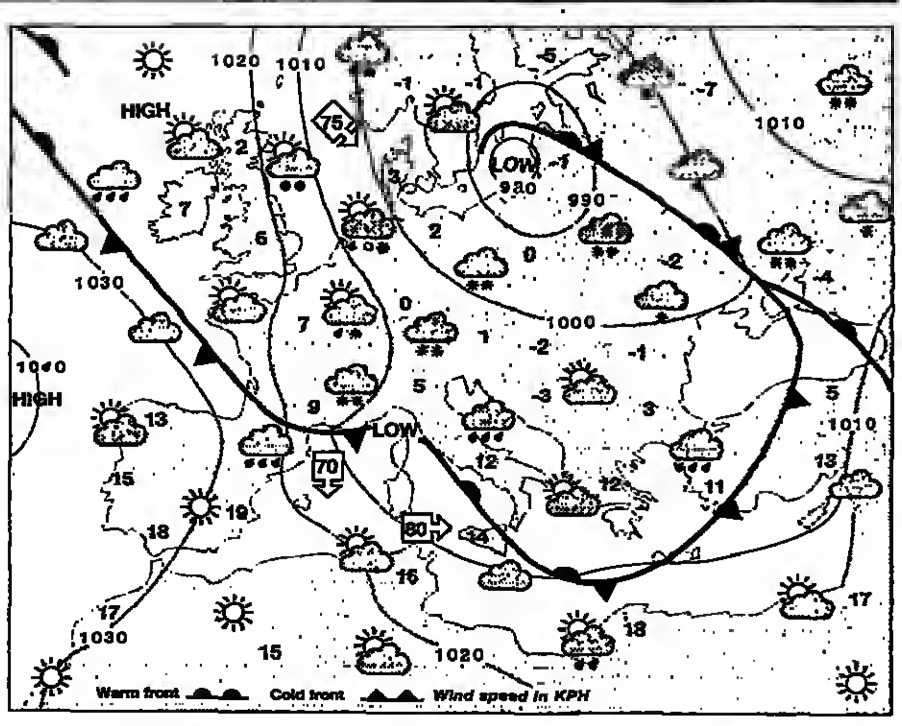
FT WEATHER GUIDE

Europe today

Arctic air will be drawn into the continent as low pressure over the Baltic moves slowly east. Wintry showers will move into Germany, Holland and Belgium and most of the Alps will have snow. The British Isles will be sunny with a few showers in Scotland. The Mistral wind will affect the French coast and the Tramontana will be felt in north-east Spain. Mild conditions, with sun and temperatures around 18C, will be confined to southern-most Spain, the Middle East and Cyprus. Snow will be widespread in the Ukraine, Russia, Belarus and the Baltic states.

Five-day forecast

An active depression will generate heavy rain in Greece on Thursday, while a new surge of cold air will move into central Europe, giving strong northerly winds from eastern Germany to the former Yugoslavia on Friday. In western Europe, high pressure will begin to move in from the Atlantic, bringing milder conditions to France and England during the weekend. Eastern Europe will stay cold with snow in places.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	sun	2	Caracas	cloudy	29	Faro	sun	17	Madrid	fair	12	Rangoon	sun	34
	Celsius		Belfast	fair	4	Cardiff	fair	7	Frankfurt	cloudy	3	Majorca	fair	17	Reykjavik	fair	-2
Abu Dhabi	sun	25	Belgrade	snow	-1	Casablanca	fair	16	Geneva	rain	5	Malta	shower	15	Rio	cloudy	27
Accra	fair	32	Berlin	snow	2	Chicago	cloudy	8	Gibraltar	fair	16	Manchester	sun	3	Rome	cloudy	13
Algiers	sun	17	Bermuda	fair	20	Cologne	shower	3	Glasgow	cloudy	4	Manila	cloudy	30	S. Frsco	rain	14
Amsterdam	hail	5	Bogota	cloudy	22	Dakar	fair	25	Hamburg	shower	3	Melbourne	fair	32	Seoul	fair	0
Athens	cloudy	13	Bombay	fair	28	Dallas	cloudy	22	Helsinki	snow	-5	Mexico City	fair	23	Singapore	shower	31
Atlanta	fair	15	Brussels	hail	5	Delhi	sun	19	Hong Kong	cloudy	19	Miami	fair	25	Stockholm	snow	0
B. Aires	fair	26	Budapest	cloudy	1	Dubai	sun	25	Honolulu	fair	27	Milan	rain	6	Strasbourg	shower	5
B.ham	fair	5	C.hagen	fair	2	Dublin	fair	7	Istanbul	cloudy	8	Montreal	snow	-8	Sydney	fair	27
Bangkok	sun	33	Cairo	sun	16	Dubrovnik	rain	10	Jakarta	shower	30	Moscow	snow	-7	Tangier	sun	16
Barcelona	cloudy	17	Cape Town	fair	25	Edinburgh	cloudy	3	Jersey	cloudy	11	Munich	snow	2	Tel Aviv	sun	17
									Karachi	sun	25	Nairobi	fair	27	Tokyo	fair	11
									Kuwait	fair	23	Naples	shower	12	Toronto	snow	-2
									L. Angeles	cloudy	17	Nassau	fair	25	Vancouver	rain	8
									Las Palmas	sun	20	New York	cloudy	2	Venice	cloudy	5
									Lima	cloudy	27	Nice	shower	15	Vienna	cloudy	2
									Lisbon	fair	15	Nicosia	rain	15	Warsaw	snow	0
									London	fair	6	Oslo	fair	-1	Washington	rain	5
									Lux.bourg	snow	3	Paris	cloudy	8	Wellington	cloudy	16
									Lyon	shower	8	Perth	sun	34	Winnipeg	snow	-8
									Madeira	fair	15	Prague	snow	1	Zurich	sleet	3

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday January 11 1995

IN BRIEF

IBM announces buy-back plans

International Business Machines said it planned to buy back up to $1.1bn of its preferred stock in a move to reduce further its long-term obligations. Page 18

GiroCredit to advise in Hungary
The Hungarian subsidiary of GiroCredit of Austria has won two hotly-contested Hungarian privatisation mandates to advise on the sales of a large pharmaceutical company and the country's largest dairy. Page 16

Management shake-up at Alcatel
Alcatel, the French-based telecoms group, announced that it was reorganising management activities to increase its focus on marketing and strengthen its ability to respond to customer demands. Page 16

Johnson to invest $112m in Europe
Johnson Controls, the US-based motor components, batteries and general control systems multinational, said yesterday it planned to spend $112m this year on six additional production facilities in Europe. Page 18

Foster's expands in China
Foster's, the Melbourne-based brewing group, and the Hong Kong-based Wheelock group have formed a brewing joint venture in China, Foster's third operation in that country. Page 19

Precious offering
A gold deposit, claimed to be one of the three biggest in the world containing precious metal worth $3bn at present prices, is to be put up for sale by tender to foreign investors by the government of Kazakhstan. Page 24

Brazilian bank lifts profits
Bradesco, Brazil's biggest private-sector bank, lifted profits last year despite the confusion caused by the country's new currency, the Real. Page 18

Sodexho poised for Gardner Merchant
Sodexho, the French contract catering and services group, is in the final stages of taking over Gardner Merchant, the UK's biggest contract caterer. Sodexho will partly fund the deal through a rights issue. Page 22

MDIS issues further profits warning
Shares in McDonnell Information Systems fell sharply again after the UK-based computing services group issued its second profits warning in four months. Page 23

PolyGram takes over top names
PolyGram is accustomed to star-studded deals. But for pure pizzazz it would be hard to beat yesterday's deal whereby *PolyGram paid $165m* for ITC Entertainment, which boasts *Thunderbirds*, *Captain Scarlet* and *The Prisoner* in its catalogue of television shows. Page 23

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)							
Rises				**Rises**			
Beiersdorf	998	+	16	Saumont Soc	297.5	+	20.5
Falls				**Falls**			
GEHE	528	-	7	Accor	559	-	12
Karstadt	531	-	10	Club Med	418.1	-	12.4
Thyssen	283.5	-	4	Legris	310.1	-	9.3
Veba	515.5	-	5.5	Taittinger	2185	-	135
Wella	917	-	8	Union Immob	421	-	24
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Apple	43¼	+	2¼	Banyu Pharm	990	+	19
Compaq	41⅝	+	1⅝	Hazama Corp	421	+	18
Dig Equip	35¾	+	1¼	Honshu Ppr	894	+	19
Motorola	62⅛	+	3⅛	Mitsumi El	1530	+	120
Falls				Okuma Corp	945	+	26
Empresas	8⅝	-	1⅛	**Falls**			
Telefonos	33¼	-	3¼	Itoham Food	745	-	30
PARIS (FFr)							

New York prices at 12.30pm.

LONDON (Pence)							
Rises				Debenhm Tewsn	88	-	5
Airtours	435	+	8	Eurotunnel Uts	307	-	8
BT	402	+	9	Howden Grp	89	-	5
Barr & WAT A	232	+	8	Kingfisher	435	-	9
Booker	410	+	10	McDonnel Info	74	-	32
Haynes Publ	318	+	13	Pentos	11½	-	2
Pict Pet	188	+	31	RTZ	786	-	13
Tomkins	231	+	8	Redland	456	-	10
WPP	114	+	6	Saatchi	112	-	12
Falls							
Abbey	135	-	10				
Bespak	280	-	8				

Insider 'loophole' in bid by Trafalgar

By David Wighton in London

The novel derivatives contract that will net Trafalgar House almost £8m ($12m), regardless of whether its takeover bid for Northern Electric succeeds or fails, has been attacked for exploiting a potential loophole in UK insider dealing regulations. Lawyers believe the "contracts for differences" struck between the UK conglomerate and Swiss Bank Corporation break the spirit if not the letter of the insider dealing exemption given to companies making a bid.

"It would seem to allow bidders to do almost anything to profit from the inside information that they are about to make a bid," said a insider dealing expert. Trafalgar has already made £4m from the contracts which it agreed with Swiss Bank's derivatives arm before announcing its bid. The contracts required Swiss Bank to pay Trafalgar a sum related to the rise in the share prices of Northern and four other regional electricity companies after the bid was announced. As Trafalgar expected, its bid resulted in a rise in all shares in the sector.

It is not known if or how Swiss Bank hedged its position. But last week it revealed that it had built up an 8.2 per cent stake in Yorkshire Electricity and a 3.46 per cent stake in Northern.

Under new insider dealing regulations which came into force last year, entering into "contracts for difference" is treated in the same way as buying underlying shares. But companies about to make a bid are allowed to deal in securities "with a view to facilitating the accomplishment of the acquisition". This clause was introduced in 1980 to allow the normal practice of bidders buying small stakes in their target ahead of an offer.

Trafalgar and Swiss Bank's legal advice was that the contracts could be deemed to be "facilitating the accomplishment of the acquisition" merely by offsetting the expenses involved.

But other lawyers disagree. "This is very close to the line indeed and I would not have advised a client to go ahead," said one. "It would seem to allow a company to make huge bets on any shares it thinks will rise when its bid is announced."

Bidders and their advisers could also be profiting from inside information at the expense of other investors.

Lex, Page 14; Bid costs, Page 22

Latin American prices plunge

By Our Foreign and Markets Staff

The shock waves from Mexico's financial crisis engulfed the rest of Latin America yesterday with price falls in some financial markets exceeding 10 per cent.

"Everyone sees this as irrational selling. Certain fund managers have been told to sell at any cost," said one investment banker in New York.

Mexico's main stock market index was down 10.7 per cent at mid-session; the chief measure of Brazil's stock market closed 9.8 per cent lower; and Argentina's was quoted 8.8 per cent down.

Brady bonds, paper issued in exchange for restructured bank debt to governments, also suffered sharp falls, with US institutional investors leading the sell-off. In London, prices of paper issued by Mexico, Brazil, Argentina and Venezuela fell by an average of just over 6 per cent.

Mexican financial markets were battered once again as another US rating agency downgraded its outlook for the country and its companies, and international brokerage firms cancelled buy recommendations on important Mexican equities. High domestic interest rates also hurt the stock market, and sentiment was hit by a poorly-received auction of dollar-linked securities by the central bank.

At midday, the peso was trading at 5.7 to the dollar, down from yesterday's close of 5.35. The Mexican market fell 6.65 per cent on Monday and Mexican shares trading in New York were also off sharply, with bellwether telecommunications company Telmex off 8.9 per cent by early afternoon.

The Duff & Phelps credit rating agency – which has been more positive on Mexico than its bigger rivals – lowered ratings on Mexico's short and long-term peso obligations. While it left the securities above investment grade, it placed them all under review for a possible additional downgrading.

The stock market in São Paulo fell heavily, partly prompted by rumours of a local broker facing liquidity problems. The Bovespa index closed 9.8 per cent down at 32,700, its third successive sharp decline. The index has fallen 31 per cent since Mexico announced its currency devaluation last month, even though Brazil's economic outlook is seen as rosier. International investors have sold Brazilian stocks, which rose nearly 60 per cent in dollar terms last year, to cover losses elsewhere in the region.

The stock market's problems spilled over to the currency markets, where the central bank intervened to support the Real against the dollar. The Real fell 1.3 per cent against the dollar before the intervention.

In the bond market, yesterday's falls followed losses of nearly 6 per cent on Monday.

Since Mexico's devaluation on December 19, the JP Morgan Emerging Market Brady bond index – which measures total returns – has declined more than 16 per cent.

Paper issued by Morocco, Nigeria, Bulgaria and Russia, among others, also fell sharply, losing between 2 and 5 cents.

Capital markets, Page 20; World stock markets, Back Page

BT and Northern Telecom ventures add to pressure for fast liberalisation

Two more alliances in German telecoms

By Alan Cane in London, Michael Lindemann in Munich and Bernard Simon in Toronto


Fergus Wilson
Connected: Sir Iain Vallance, of BT, and Maximilian Ardelt, Viag board member, announce the link-up

Pressures were growing yesterday for faster liberalisation of German telecommunications after the announcement of two alliances designed to exploit opportunities in products and services in Europe's largest market.

- British Telecommunications, the UK's dominant carrier, confirmed an alliance with Viag, one of Germany's top 10 industrial groups, to offer voice and data services to national and international customers.
- Northern Telecom, the Canada-based telecoms equipment manufacturer, said it was forming an alliance with Daimler-Benz Aerospace to market systems and products to telecoms operators in Germany and eastern Europe. The venture will combine Northern's technology and products with Daimler Benz's high profile and access to customers.

The progress of both ventures will be influenced by liberalisation of the German market, set for January 1, 1998. After then, licences to operate networks in competition with Deutsche Telekom, the country's monopoly carrier, must be offered.

Analysts said that licences could be awarded earlier, in part to give German companies the expertise to take advantage of Europe-wide liberalisation. Mr Wolfgang Botsch, German minister for posts, has said he would consider giving out licences before 1998 if there was evidence that new networks introduced technical innovation. He has so far received six applications.

The BT/Viag alliance will be called Viag InterKom. Each parent will own 37 per cent; the rest will be held by up to five as yet unnamed German partners. There will be joint managing directors: Viag will manage sales and marketing within Germany, while BT will have responsibility for operations and technology. Services will be offered from April this year.

Viag InterKom is hoping to secure up to 15 per cent of the German telecommunications market which is expected to be worth DM100bn ($64bn) by 2003, according to Mr Georg Obermeier, who is expected to be named Viag chief executive later this year. He said InterKom would invest DM1.5bn over the next decade and expects sales of a similar value on the basis of the services – data transmission and intracompany networking – that it will be allowed to provide by the present regulations.

Sir Iain Vallance, BT chairman, said BT would invest several hundreds of millions of pounds over the decade; if a full licence was forthcoming, the investment would be considerably larger. He said it was too early to discuss sales or profits but the venture would expect to be in the black within a few years.

The two partners want initially to expand the corporate network for which Viag received a licence last year. Mr Obermeier hoped to sign up the first clients – likely to be Bayerische Vereinsbank and Bayerische Hypobank, the two Bavarian banks which together hold around 12 per cent in Viag – during 1995. Viag is also in talks with other Bavarian companies including BMW.

Editorial Comment, Page 13; Lex, Page 14; Northern Telecom lifts profile, Page 16

Maurice Saatchi 'damaging agency'

By Robert Peston and Diane Summers in London

Saatchi & Saatchi yesterday launched a ferocious attack on Mr Maurice Saatchi, the advertising group's ousted chairman, accusing him of using his "formidable skills as a professional communicator to cause as much damage as he can to this company while apparently claiming concern for clients and staff".

But the group is likely to be weakened further today, as several senior executives are expected to follow the three who quit on Monday.

Associates of Mr Saatchi said he was yesterday in talks with advisers and possible financial backers, and they expected he would launch a new agency with the departing executives.

To stem the sharp fall in the company's share price prompted by the resignations, Mr Charles Scott, chief executive and acting chairman, yesterday gave an emergency presentation to 38 institutional shareholders and investment analysts.

He said the decline in the share price over the past two days – by 28p to 112p – reflected "a co-ordinated campaign to destabilise the company, the company's employees and the company's clients".

He continued: "I ask myself whether this is an attempt just to do damage for its own sake."

The company has complained to the London Stock Exchange about Mr Saatchi's lobbying tactics, but recognises that the exchange's ability to take any punitive action against him is limited. The exchange's insider dealing group is, however, examining the disposal of 1.8m Saatchi shares by Mr Saatchi and his brother Charles last week.

The three executives who quit on Monday – Mr Jeremy Sinclair, Mr Bill Muirhead, and Mr David Kershaw, head of the UK Saatchi agency – denied widespread rumours they planned to buy Saatchi & Saatchi Worldwide, one of the group's two international adverting networks. "Under no circumstances are we planning to buy back the company," they said.

Meanwhile, Procter & Gamble, one of Saatchi's largest clients, denied reports it was reviewing whether to take its business elsewhere. In a letter to Mr Ed Wax, chairman of Saatchi & Saatchi Worldwide, P&G asked him to assure Saatchi staff of P&G's "staunch commitment to our continuing relationship".

Barry Riley

Warburg reaches the end of the Autostrada

First in, first out? The question is whether S.G. Warburg's withdrawal from European bonds will eventually be seen, from the perspective of capital market history, as a symbolic turning-point. After all, Warburg was in at the very start of the eurobond market when it floated a $15m loan for Autostrade Italiane in 1963.

Tuesday's news came very soon after a publication from Warburg's gilt-edged department proclaiming that 1994 had been the "worst year in modern times" for British government bonds.

Securities houses rarely seek to exaggerate the problems of their markets, and the analysis doubtless reflected low morale within Warburg's own bond department. (It happens, however, that Warburg will continue to maintain a strong presence in gilts.)

True, a negative return on long gilts of 12 per cent was a poor show for 1994, but it scarcely compared with the disasters of 1974, when the nominal negative return on long gilts was 18 per cent and moreover inflation was 19 per cent. That added up to a total negative real return of 31 per cent. Other bad years included 1978, 1979 and 1981, all with negative real returns of around 10 per cent.

Such was *genuine* agony, reflecting a permanent stripping of wealth from bond holders. The problems of 1994 were relatively minor, amounting to the reversal of 1993's bubble. Together, during the two years, long gilts delivered an annual average return of about 8.5 per cent nominal (say 6 per cent real). The long-term investor will not complain, but short-term traders, including investment banks, often struggled with the volatility.

A perverse riskiness has been injected into bonds, which were originally designed to be safe instruments. Investment technology takes much of the blame, opening the way for bonds to be leveraged, stripped, swapped and generally regarded as little more than the raw material for a turbulent derivatives industry.

Distortions from regulation partially explain why so many institutional investors have become involved in these areas.

There is nothing new about bonds that wind up as wallpaper

Insurance companies, charities and municipal funds are often limited in their ownership of risky equities, but can chase high returns in bond-based instruments. In the US, junk bonds became popular very largely because they promised equity-type returns within the regulatory category of bonds.

A second reason why the risks have escalated is that too many governments have exploited the resources of the global bond market without considering the long-run costs. In 1995 the European government bond market has become a dangerous place.

Yesterday's Swedish budget highlighted the problems of highly-indebted European countries which have allowed their finances to drift out of control. Despite planned spending cuts, Sweden's borrowing will still run at 7 per cent of GDP next year, and $53bn of its foreign currency-denominated debt has been downgraded by Moody's. Foreign currency borrowing will rise this year, according to the Swedish government's latest plans.

Swedish bonds were in rapid retreat yesterday, but the real disaster area was in Brady bonds, the restructured debt of emerging economies in Latin America and eastern Europe, where single session price falls were around 10 per cent.

Such events have sent a shiver of fear through the markets of Mediterranean countries. If the Mexican peso can suddenly disappear down a plughole might the Spanish peseta be swirling close behind? Spanish government bonds this week joined Italian BTPs in the 12 per cent-plus yield zone. The risk premium over German bunds for Latin Europeans has grown to 4.5 or even 5 percentage points.

There is, of course, nothing especially new about governments that default, and about bonds that wind up as wallpaper, although these days the novel aspect is that the borrowed money is dissipated on social security spending rather than on wars or royal palaces.

Warburg may see its problems more narrowly, in terms of unmanageable trading risks and severe competition from the major US investment banks, including its would-be partner Morgan Stanley.

But this is far from being a local difficulty. What price an Italian autostrade bond today?

Zurich Insurance clear to buy Home Holdings

By Hugh Carnegy in Stockholm

The way is clear for Switzerland's Zurich Insurance group to take over Home Holdings, the troubled US associate of Swedish insurer Trygg-Hansa, following the withdrawal of a rival offer from a group of US investors.

The US investors, led by Fund American, a Vermont-based financial services group, said they were dropping a proposal which would have involved a $420m capital injection into Home Holdings and the acquisition of most of Trygg's 64.5 per cent stake.

Trygg originally struck a deal with Fund American and its partners, Trident Partners and Hellman & Friedman, as it sought to end its investment in Home. Its involvement cost it up to SKr5bn ($665.8m) in losses since it first bought in four years ago.

Trygg, however, turned its back on the US group when Zurich came forward with a new bid and a proposal to take over immediately the running of Home. The Zurich deal involves no new capital injection in Home and includes a conditional eight-year buy-out of Trygg's share. However, it was structured in such a way that Trygg's total loss from Home would be limited to SKr4.5bn, compared with SKr5bn under the Fund American bid. It also includes a strategic co-operation agreement between Trygg and Zurich.

The US investors, led by Fund American chairman Mr Jack Byrne, last week made a renewed bid, offering to buy out the 30 per cent share of Home traded on the New York Stock Exchange for $10.50 a share, compared with $10 offered by Zurich.

Trygg, however, rejected the new approach, withdrawing its earlier offer to write off a $170m loan to Home. "From Trygg-Hansa's point of view, it was quite clear the Zurich offer was better than the revised US offer," Mr Per Mossberg, a senior Trygg executive, said.

Mr Byrne nevertheless said he was mystified by the lack of interest shown by Trygg. "Our intention was to strengthen Home Insurance so its could remain healthy and independent. Trygg-Hansa said they would contribute to that outcome. Now they are apparently not willing to do so," he said.

UK unveils power sale details

By David Lascelles, Resources Editor

The UK government's advisers yesterday unveiled details of the £4bn ($6.2bn) sale next month of its remaining 40 per cent stake in the country's two largest private-sector electricity generators, National Power and PowerGen.

The sale will be split into two parts; a UK public offer for private investors, and a tender offer for institutions worldwide. The UK public offer will take at least 40 per cent of the shares – more if demand is strong enough.

Private investors will bny their shares through 130 "share shops" at a discount to the international tender price. The shares will be sold in packages of three National Power to two PowerGen.

Details of the discount, minimum investment and other incentives will be disclosed with the pathfinder prospectus at the end of this month. Payment will be in three instalments, each falling into a separate tax year.

Institutions will bid for shares through separate tender offerings for National Power and PowerGen which will be handled by 17 managers in the UK and overseas. These bids will be collated to arrive at offer prices for the two sets of shares. Private investors will be able to bid in the tender offer if they want to add to the shares available in the public offering, but they will have to pay the open market price and make a minimum investment of some £3,000. Preference will be given to investors who will put the shares into a personal equity plan (Pep).

National Power and PowerGen have already made arrangements to buy back between 6.5 per cent and 8 per cent of their shares from the Treasury in the tender offer, although these shares will be clawed back to meet public demand if necessary.

Lex, Page 14

Management shake-up at Alcatel

Alcatel, the French-based telecoms group, yesterday announced that it was reorganising management activities to increase its focus on marketing and strengthen its ability to respond to customer demands, writes John Ridding in Paris.

The reorganisation will combine the existing marketing and business strategy divisions and establish a technology division, which will cover existing R&D activities and corporate research.

Alcatel said the moves would increase the emphasis on marketing throughout its operations and would remove existing divisions with planning and strategy operations.

"There will be greater co-ordination between our planning and marketing activities which will help us track and predict the demands of clients," the company said.

Alcatel, which is part of Alcatel Alsthom, the telecoms, transport and engineering group, said the reorganisation did not reflect specific problems which sharply reduced profits last year.

Mr Pierre Suard, chairman, blamed losses in the group's German telecoms subsidiary and difficult trading conditions in other European markets for a fall in profits to about FFr4bn ($745m) in 1994.

Venture lifts Nortel profile in Europe

By Michael Lindemann in Munich, Bernard Simon in Toronto and Alan Cane in London

Northern Telecom's planned joint venture with Daimler-Benz Aerospace in Germany is the Canadian eqnipment manufacturer's third foray into Europe in the past five years.

It acquired STC of the UK (where, as a consequence, it holds 16 per cent of Fujitsu-owned ICL) and has an alliance with Matra Hachette of France.

Northern Telecom (Nortel) and Daimler-Benz said yesterday they had signed a memorandnm of agreement "to address telecommunications market opportunities in Germany".

"We've been eyeing the market in Germany as a must for Northern Telecom," Nortel said. Nortel is banking on the deregulation and privatisation of the German telecoms sector after 1998.

"It's a clear strategy for us to address both the primary and secnndary carriers," Nortel said. The joint venture will design and develnp networks for public carriers and for private corporate networks. It intends to open an advanced development centre in Germany.

Nortel will hold 50 per cent of the shares in the new venture; the rest will be held by Daimler-Benz Aerospace and its subsidiary Dornier, which is expected to contribute satellite communications expertise to the alliance.

Negotiations are expected to be completed during the first half of this year, Daimler-Benz Aerospace said.

The German gronp said its background in military hardware had given it the experience to create computer software for a broad range of companies, including banks and insurance companies.

The ventnre wonld also develop software to make a variety of different telecommunications networks around the world compatible. It will become part of the defence and civil systems division of Daimler-Benz Aerospace.

GiroCredit to advise in Hungary

By Virginia Marsh in Budapest

The Hungarian subsidiary of GiroCredit of Austria has won two hotly-contested Hungarian privatisation mandates to advise on the sales of a large pharmaceutical company and the country's largest dairy.

GiroCredit Investment Budapest said the sale of up to 65 per cent of Biogal, Hungary's fourth largest pharmaceutical company, would be its biggest privatisation deal to date. Biogal, which has share capital of Ft4.3bn ($38m), is expecting a pre-tax profit of Ft900m on sales of Ft10bn in 1994. It exports around 15 per cent of production.

Thirty-nine companies, including UK merchant bank N.M. Rothschild and Crédit Lyonnais and Banque Indosuez of France, are understood to have tendered for the mandate.

GiroCredit also beat 10 other bidders, including Creditanstalt Securities and Westdeutsche Landesbank for the mandate to advise on the privatisation of Hajdutej, a large regional dairy. Hajdutej, which has share capital of Ft701m, is forecasting pre-tax profit of Ft260m on sales of Ft8bn in 1994, GiroCredit said.

The pharmaceutical and dairy sectors have attracted strong interest from foreign investors. The privatisation of Biogal follows successful sales of stakes in the country's top three pharmaceutical companies to foreign strategic and financial investors. An international private placement for the sale of 33.4 per cent of Richter Gedeon, the largest company in the sector, raised $52.4m last autumn.

GiroCredit said the state would consider selling a significant or majority stake in Biogal to a western pharmaceutical company, and planned to increase the company's capital by at least Ft1bn. If a strategic investor was found, the company might seek a listing on the Budapest stock exchange.

With the dairy, the state aimed to sell 22.5 per cent to a strategic investor, with 42.5 per cent available to financial investors, GiroCredit said.

The privatisation will be followed by a public offer. GiroCredit said it hoped to conclude both transactions in the first half of this year.

Dow finds east European foothold

The Treuhand has a buyer for its chemical assets, writes Judy Dempsey

One of the most ambitious sell-offs by Germany's Treuhand privatisation agency will be signed and sealed within the next six weeks.

The contract, announced late last month, involves the sale of the state-owned chemical assets in eastern Germany to Dow Deutschland, the 100 per cent-owned subsidiary of US-based Dow Chemical.

Dow will buy the steam cracker facilities at Sächsische Olefinwerke in Böhlen, the electrochemical units and derivative operations at Buna, and the polyolefin and intermediate chemical operations at Leuna and Buna. All are located in the east German state of Saxony-Anhalt.

Once the contract is completed, Dow will have achieved the first aim of its strategy in eastern Germany: to use the Buna/Böhlen complex to gain a foothold in central and eastern Europe with the aim of expanding into Russia.

Dow will take a majority stake – 80 per cent – and invest about DM1bn ($642.1m) in Buna/Böhlen. The Bund, or German state, meanwhile, will retain the remaining 20 per cent, complete its investment programme of more than DM3.4bn, and carry over losses of DM3bn from from the past four years.

Dow will have an option to buy the Bund's stake. However, much will depend on its Dow's relations with Gazprom, the state-owned Russian gas company with which it is negotiating to secure competitively-priced feedstock for Buna.

Mr Klaus Schucht, who will become economics minister of Saxony-Anhalt later this month and who since 1991 has been responsible for privatising eastern Germany's chemical sector, is still surprised that Dow is on board.

"We could not have asked for a better partner," be said, describing Buna as the "crown of the privatisation process of east Germany's chemical industry". "Without Buna, there would be little hope for the east German chemical industry."

A look at the structure of the industry under the former communist state helps to explain why it was so difficult to find a buyer for Buna/Böhlen. The sector had been organised along the lines of a large integrated and mutually-dependent network which was difficult to dismantle.

For example, the so-called chemical triangle involving Leuna, Bitterfeld (a sprawling production site which produced 3,000 different products before 1990) and Buna, were all connected to the same pipeline grid which provided, among other things, hydrogen and oxygen.

After consultants concluded that the east German chemical industry was uncompetitive and in need of radical restructuring involving heavy investments in new products, the Treuhand started looking for partners for Buna.

It first approached Enichem, the Italian chemicals company, in 1991. However, a wave of corruption scandals soon ruled it out. Interest from Veba, Germany's large chemical and electricity group, also waned. Then, last summer, Dow was approached by Goldman Sachs, consultants to the Treuhand.

Acquiring Buna/Böhlen will help Dow in three ways:

- it will put it in the heart of central Europe, where it is looking to expand;
- it will allow it to boost production of PVC and other products;
- finally, the deal gives Dow the opportunity to agree a contract with Gazprom.

Dow wants to use the oil refinery in Leuna as the feedstock supply which will be passed through a naphtha pipeline to the cracker at Böhlen. Böhlen will produce ethylene, a clear gas which will be converted to polyethylene, the basis for PVCs and other products for the car industry, at Buna.

The problem, however, is that the cracker fed from Leuna will only supply 50 per cent of the feedstock. Dow will have to buy extra feedstock on the world market or from Gazprom. This month, Treuhand and Dow officials will travel to the Yamal gas fields in Siberia, from where Gazprom is looking to sell about 20bn cubic metres of gas each year into western Europe beginning in 2000.

Between 8 and 10 per cent of the fields contain liquid gases of ethylene, butane and propane, which are high-grade gases. The rest of the field contains a single hydro-carbon gas.

Energy experts say Dow and Gazprom will have to decide where to split the gases. There may be need for a second cracker, based on ethylene and similar to the Böhlen complex. The ethylene would be transported to Buna, which would transform it into polyethylene.

The cheapest ethylene costs about DM280 a tonne to produce, while the most expensive naphtha process works out DM550. Dow will have the chance in Yamal to calculate the benefits of transporting the Gazprom feedstock into central Europe and eastern Germany instead of producing the polyethylene at Tschcrepoweck, where the gases will be split.

"To make this venture have any economic sense, Dow must have costs which are 30 per cent lower than its competitors," an energy consultant to the Treuhand said. Russia, for its part, favours splitting the gases at Tscherepoweck and then transporting the liquid gas in separate pipelines.

"Dow has just about completed the first phase in eastern Germany," said Mr Schucht. "It is now exploring the second phase with Gazprom." Whatever the outcome of those negotiations, Dow is on course for gaining a foothold in eastern Europe and securing a future for eastern Germany's chemical industry.

Just An Example Of The Deals Done In 1994

Continued Proof That ABN AMRO Delivers.

This announcement appears as a matter of record only.
New Issue
European Investment Bank
US $200,000,000
7¾% Bonds due 1998
Lead Managed by
ABN AMRO Bank N.V.

This announcement appears as a matter of record only.
New Issue
KfW International Finance Inc.
Can. $150,000,000
8¼% Guaranteed Bonds due 1999
unconditionally and irrevocably guaranteed by
KfW Kreditanstalt für Wiederaufbau
Lead Managed by
ABN AMRO Bank N.V.

This announcement appears as a matter of record only.
New Issue
Unilever
Unilever N.V.
NLG 350,000,000
6¾% Bonds due 2004
Lead Managed by
ABN AMRO Bank N.V.

This announcement appears as a matter of record only.
New Issue
TATE & LYLE
Tate & Lyle International Finance PLC
£100,000,000
8% Guaranteed Bonds due 1999
unconditionally and irrevocably guaranteed by
Tate & Lyle PLC
Joint Lead Managed by
Hoare Govett Corporate Finance Limited
(a subsidiary of ABN AMRO Group)

This announcement appears as a matter of record only.
New Issue
LfA
Bayerische Landesanstalt für Aufbaufinanzierung
DM 100,000,000
7⅛% Guaranteed Bonds due 1999
deficiency guarantee by
Free State of Bavaria
Lead Managed by
ABN AMRO Bank (Deutschland) AG

This announcement appears as a matter of record only.
New Issue
HYPOBANK
Bayerische Hypotheken- und Wechsel-Bank Aktiengesellschaft
SFr. 100,000,000
5¼% Bonds due 1999
Lead Managed by
ABN AMRO Bank (Schweiz)
Bayerische Hypotheken- und Wechsel-Bank Aktiengesellschaft

This announcement appears as a matter of record only.
New Issue
BAYERISCHE VEREINSBANK AKTIENGESELLSCHAFT
A$ 100,000,000
9% Bonds due 1998
issued under the
US $5,000,000,000 Euro MTN Program
Lead Managed by
ABN AMRO Bank N.V.

This announcement appears as a matter of record only.
Telefónica Internacional S.A.
US $1,000,000,000
Bridge Facility
Arranger & Agent
ABN AMRO Bank N.V.

This announcement appears as a matter of record only.
AKZO NOBEL
Akzo Nobel N.V.
US $700,000,000
Revolving Credit Facility
Arranger
ABN AMRO Bank N.V.

This announcement appears as a matter of record only.
RANK XEROX
£545,000,000
Revolving Credit Facility
Arranger
ABN AMRO Bank N.V.

This announcement appears as a matter of record only.
Saga Petroleum S/A
US $850,000,000
Revolving Credit Facility
Arranger
ABN AMRO Bank N.V.

This announcement appears as a matter of record only.
telia
Telia AB
US $200,000,000
Revolving Credit Facility
Arranger & Agent
ABN AMRO Bank N.V.

This announcement appears as a matter of record only.
Ahold
Koninklijke Ahold nv
US $400,000,000
Revolving Credit Facility
Arranger & Agent
ABN AMRO Bank N.V.

This announcement appears as a matter of record only.
kpn
Koninklijke PTT Nederland NV
Offer of 138,150,000 Ordinary Shares by the State of The Netherlands
Offer Price NLG 49.75 per Share
Global Coordinator
ABN AMRO Bank N.V.

This announcement appears as a matter of record only.
New Issue
KLM Royal Dutch Airlines
Royal Dutch Airlines
21,275,000 Common Shares
Global Coordinators
ABN AMRO Bank N.V. Merrill Lynch & Co.

This announcement appears as a matter of record only.
New Issue
Nedlloyd
Koninklijke Nedlloyd Groep N.V.
NLG 499,369,000
4¾% Convertible Subordinated Bonds due 2001
Lead Managed by
ABN AMRO Bank N.V. Goldman Sachs International

This announcement appears as a matter of record only.
New Issue
Koninklijke Nederlandsche Hoogovens en Staalfabrieken N.V.
NLG 300,000,000
4¼% Convertible Subordinated Bonds due 2001
Lead Managed by
ABN AMRO Bank N.V. S.G. Warburg Securities B.V.

This announcement appears as a matter of record only.
New Issue
VNU
N.V. Verenigd Bezit VNU
3,600,000 Common Shares
Global Coordinators
ABN AMRO Bank N.V. Goldman Sachs International

This announcement appears as a matter of record only.
New Issue
océ
Océ-van der Grinten N.V.
NLG 150,000,000
4¾% Convertible Subordinated Bonds due 2001
Lead Managed by
ABN AMRO Bank N.V.

This announcement appears as a matter of record only.
New Issue
Gist-brocades
Koninklijke Gist-Brocades N.V.
NLG 200,000,000
4¾% Convertible Subordinated Bonds due 2004
Lead Managed by
ABN AMRO Bank N.V.

This announcement appears as a matter of record only.
New Issue
Koninklijke Volker Stevin N.V.
NLG 75,000,000
5¾% Convertible Subordinated Bonds due 2002
Lead Managed by
ABN AMRO Bank N.V.

This announcement appears as a matter of record only.
New Issue
NBM-AMSTELLAND
NBM-Amstelland NV
NLG 100,000,000
5¼% Convertible Subordinated Bonds due 2002
Lead Managed by
ABN AMRO Bank N.V.

This announcement appears as a matter of record only.
New Issue
KBB
N.V. Koninklijke Bijenkorf Beheer KBB
1,305,864 Ordinary Shares
Lead Managed by
ABN AMRO Bank N.V.

ABN·AMRO Bank

Bradesco rises despite new currency

By Angus Foster in São Paulo

Bradesco, Brazil's biggest private-sector bank, lifted profits last year in spite of the confusion caused by the Real, the country's new currency.

Bradesco announced net profits after income tax and minorities of R$445m (US$525m) in the year to the end of December, compared with a restated US dollar profit of $369m in the previous year. The currency change, and the Real's appreciation against the dollar, make it difficult to compare the figures.

Mr Armando Fernandes Júnior, executive vice-president, said a better measure was the bank's return on shareholders' funds, which fell slightly to 12.2 per cent from 13.7 per cent.

The new currency's launch led to a sharp fall in inflation and higher salary costs. The bank had not yet fully adjusted its charges to compensate for the changes, he said.

The fall in monthly inflation, from about 50 per cent to less than 2 per cent, has severely hit earnings at some banks in Brazil, which had profited from high inflation. Last year, the central bank took control of two state-owned banks which were encountering liquidity problems, and further interventions in small state banks are expected.

Mr Fernandes said Bradesco was less affected by the fall in inflation, but a government credit squeeze to dampen consumer spending had hurt demand and the bank's margins. Nevertheless, short-term lending and credit business reported sharp increases as Brazil's economic recovery gathered pace and consumer credit became more attractive as inflation fell.

Bradesco said it added 79 branches to its network during the year, to take the total to 1,845.

Johnson to invest $112m in Europe

By John Griffiths

Johnson Controls, the US-based motor components, batteries and general control systems multinational, said yesterday it planned to spend $112m this year on six additional production facilities in Europe.

It is also to open a European technology centre at Burscheid, Germany.

The programme will bring Johnson's total investments since the beginning of last year in expanding its presence in the European automotive industry to about $200m.

Factories to be established this year will be located at Speke and Dagenham, UK; Schwalbach, Germany; Palmela, Portugal; and Almusafes and Zona Franca, Spain.

Seven European plants were set up by Johnson last year, involving spending of just under $90m.

When all facilities are operational, producing a variety of components, Johnson will have a network of 44 production centres across Europe. They will employ a total of 7,500, compared with 6,500 at the end of 1993.

The Milwaukee-headquartered group, which has a $7bn-a-year turnover, has a number of significant supply contracts in Europe for vehicle seats and plastic composite parts as well as a variety of vehicle control systems.

Its expansion within Europe, the world's largest car market, has been helped by four consecutive years of profits, with a fifth expected in the current financial year.

IBM announces plans to buy back $1.1bn of preferred stock

By Louise Kehoe in San Francisco

International Business Machines yesterday said it planned to buy back up to $1.1bn of its preferred stock in a move to reduce further its long-term obligations.

The preferred stock buy-back "is a prudent and effective use of a portion of our cash," said Mr Jerome York, chief financial officer of IBM. The computer company ended the third quarter of 1994 with close to $11bn in cash and securities.

There has been speculation about how this might be spent. In a new year address to employees last week, Mr Lou Gerstner, IBM chairman, said possible uses of the funds might include debt reduction, making acquisitions, and increasing IBM's dividend, which was halved shortly after Mr Gerstner joined IBM in 1993.

Analysts had predicted IBM might make a large acquisition, perhaps of another computer or software company. Yesterday's stock buy-back decision did not rule out such a move, they said. However, it is clear that IBM's priority is to reduce debt.

"Over the past year, we've reduced our debt level by more than $4bn," Mr York said, indicating that IBM's total debts at the end of 1994 stood at about $23bn.

The computer company is scheduled to report its year-end financial results later this month.

The company will today issue a cash offer of $25 a share for 44,580 depositary shares sold in a public offering in May 1993.

Each depositary share represents a one-fourth interest in a share of the Series A 7½ per cent preferred stock.

Intel and AMD move closer to settling seven-year chip dispute

By Louise Kehoe

Intel and Advanced Micro Devices appear close to resolving their bitter seven-year legal disputes over microprocessor chip technology rights.

Senior executives at the two Silicon Valley semiconductor manufacturers are holding "substantive" discussions, AMD said.

AMD is the fifth-largest US manufacturer of semiconductor devices. Intel is the world's largest chip maker.

Although the companies declined to elaborate, it is understood that an agreement to end the legal battles, in which Intel has attempted to prevent AMD from manufacturing "clones" of Intel microprocessor chips, may now be imminent.

Intel said talks with AMD began last October, when a federal judge hearing one of several suits filed by Intel against AMD urged the two to reach an out-of-court settlement.

The disputes began in 1987 and relate to a 1982 agreement between the companies to collaborate in the development of microprocessors and related chips. Both companies allege that the other failed to live up to the agreement.

Intel has filed several law suits seeking to protect its intellectual property from what it has regarded as illegal copying. AMD, however, has maintained that it has the right to use certain Intel technologies under the terms of prior agreements and an arbitration award granting it further technology rights.

The litigation has cost both companies several millions of dollars without achieving full resolution.

Increasingly the dispute is one of principle that has little impact on the companies' sales because the chips involved in the legal tangle are rapidly becoming obsolete.

"We continue to offer the olive branch for a peaceful resolution of the remaining issues in dispute and are hopeful the robust business climate will result in an environment conducive to settlement," Mr W.J. Sanders, AMD chairman, said last week.

Motorola posts record earnings for full year

By Louise Kehoe

Motorola, the US electronics group, has reported record sales and earnings for the fourth quarter and full year on the back of strong growth in wireless communications equipment, cellular telephones and semiconductor devices.

Fourth-quarter sales were $6.5bn, up 29 per cent from $5bn in the same period of 1993.

Net earnings were $515m, or 86 cents a share, compared with $340m, or 58 cents, a year ago.

For the full year, sales rose 31 per cent to $22.2bn from $17bn in 1993. Earnings were $1.56bn, or $2.65 a share, a 49 per cent increase on the $1.02bn, or $1.78, in 1993.

Strong demand for cellular telephones and related equipment boosted sales of Motorola's General Systems sector by 64 per cent to $8.6bn for the year, said Mr Christopher Galvin, president and chief operating officer. The number of subscribers to cellular telephone services rose more than 50 per cent in 1994 to exceed 50m worldwide, he noted.

Motorola's semiconductor sales were up 22 per cent to $6.9bn. Sales to the personal computer, automotive and communications industries showed the strongest growth, the company said.

The PowerPC microprocessor family, jointly developed by Motorola with IBM and Apple Computer, continued to move forward with new versions of the microprocessor chip introduced over the past year.

To increase manufacturing capacity, Motorola agreed to buy a semiconductor facility in South Queensferry, Scotland, from Digital Equipment.

The company also plans to expand its wafer fabrication plant in North Carolina.

Motorola's communications division, which includes paging products and wireless communications equipment, posted a 19 per cent increase in sales to $5.8bn.

NEWS DIGEST

Mexican building group expects $194m forex loss

Empresas ICA Sociedad Controladora, a Mexican construction group, said it expected Mexico's devaluation to result in a full-year 1994 foreign exchange loss of about 1bn new pesos ($194m), AP-DJ reports from Mexico City.

However, the company said it expected to report a profit for 1994.

ICA said increases in interest rates in the wake of the devaluation had forced the company to review all projects under construction and development.

Mr Jose Luis Guerrero, chief financial officer, said the forex losses were not expected to adversely affect company liquidity and it should be able to meet all its short-term obligations.

ICA is due to report fourth-quarter and full-year 1994 results later this month.

ICA said as of December 31, it had total outstanding debt of 7.3bn new pesos (considering an exchange rate of five new pesos per dollar). Of that, 6.4bn new pesos was long-term and 0.9bn new pesos short-term. Total dollar debt amounted to $1.175bn or 5.9bn new pesos, while peso-denominated debt was 1.4bn new pesos.

The company's cash position at year-end was strong, the company said.

It had about 1.7bn new pesos in peso-denominated cash and marketable securities and about $300m in dollar-denominated cash and securities.

Borden chief executive resigns suddenly

Borden, the troubled US food group now controlled by Kohlberg Kravis Roberts, is to get its third chief executive in just over a year following the unexpected announcement that Mr Ervin Shames, the present incumbent, is to quit, writes Richard Tomkins in New York.

He is to be replaced by Mr Robert Kidder, 50, the former chairman and chief executive of Duracell International, the battery manufacturer. Duracell is another company in which KKR, the Wall Street investment firm, has a substantial stake.

Only last month KKR successfully completed its friendly takeover of Borden by acquiring a 69.5 per cent controlling stake in the company. As part of the deal, Mr Shames, 54, had been expected to keep his job as chief executive.

Yesterday, however, Borden announced that Mr Shames was leaving "to pursue other opportunities", a phrase commonly used in the US to indicate that an executive has been forced out.

Mr Shames said: "This change best fits with my needs as well as KKR's."

KKR bought Duracell from Kraft, the US food manufacturer, in 1988 and floated it on the stock market in 1991.

Mr Kidder, who recently stood down as Duracell's chief executive to become non-executive chairman, is credited with having turned the company into a thriving stand-alone business.

Austrian glass specialist sees 20% sales rise

Stölzle-Oberglas, the Austrian specialist glass group which took over Rockware Flaconnage from BTR of the UK last November, said it expected its sales to rise 20 per cent this year to Sch1.2bn ($109.5m), writes Ian Rodger in Zurich.

The group, part of Mr Cornelius Grupp's CAG Holding, said the growth would be mainly due to acquisitions in the UK and the Czech Republic and higher capacity operation at the Austrian plants.

Stölze has become one of the largest European makers of glass containers for the cosmetics, pharmaceuticals and drinks industries, with capacity of 900m flacons a year. But it is still well behind the French leaders, St Gobain and Pochet.

Sabena beats target for first 11 months

Sabena, the Belgian airline, said its operating result for the first 11 months of 1994 was positive and BFr650m ($20.3m) higher than expected, Reuter reports from Brussels.

However, net earnings over the first 11 months remained in the red because of high financial charges, Sabena said.

"Although better than expected, [net] company earnings remain negative... because of high financial charges which we have to pay to the banks," it explained.

Sabena, in which Air France holds a 37.5 per cent stake, had a BFr4.5bn loss in 1993, including a one-time charge of about 1bn for restructuring costs.

Orkla may sell half of Helly-Hansen stake

Orkla, the Norwegian group with interests in branded consumer goods and chemical processing, yesterday said it was considering the sale of half its shareholding in Helly-Hansen, which manufactures leisure, sports and survival clothing, writes Karen Fossli in Oslo.

Orkla said it was negotiating the disposal with Resource Group International (RGI), the Seattle-based Norwegian-owned group.

Orkla owns 99.6 per cent of Helly-Hansen's shares, which had a book value in 1993 of NKr135m ($19.8m).

Helly-Hansen has production facilities in Norway and Portugal and contracts in east Asia.

The company is best known for its water-repellant clothing and survival suits.

In 1993, Helly-Hansen achieved sales of NKr823m and an operating profit of NKr28m.

Orkla said Helly-Hansen no longer represents a part of the group's core operations. RGI is a large shareholder in Gresvig, a Norwegian sports and leisure store chain.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

½ hour period ending	Provisional Price for trading on 11.01.95 Pool purchase price £/MWh	Final Prices for trading on 14.12.94 Pool purchase price £/MWh	Pool selling price £/MWh
0030	10.05	9.09	9.09
0100	28.56	9.67	12.79
0130	43.37	30.55	33.68
0200	43.37	30.55	33.68
0230	43.37	9.67	12.79
0300	43.37	9.29	9.29
0330	43.37	9.28	9.28
0400	28.56	9.09	9.08
0430	10.01	8.89	8.89
0500	9.91	8.89	8.89
0530	10.01	8.92	8.92
0600	9.91	8.89	8.89
0630	10.01	9.08	9.08
0700	29.98	10.06	10.06
0730	38.18	31.75	34.88
0800	36.56	31.79	34.90
0830	57.32	34.89	38.11
0900	63.40	35.21	38.54
0930	101.15	35.35	38.72
1000	101.83	38.54	41.91
1030	52.29	35.18	38.50
1100	51.34	35.04	38.31
1130	51.46	32.57	35.82
1200	52.57	32.53	35.77
1230	45.03	32.48	35.70
1300	41.73	32.40	35.61
1330	37.68	32.34	35.53
1400	36.73	32.32	35.49
1430	37.11	32.29	35.45
1500	36.56	32.28	35.45
1530	47.60	10.79	10.79
1600	107.99	22.83	22.83
1630	300.22	127.25	152.53
1700	550.24	222.20	261.11
1730	606.28	243.22	280.48
1800	463.23	186.17	215.71
1830	214.89	96.71	110.58
1900	106.22	63.35	70.68
1930	67.95	45.34	50.23
2000	46.60	38.17	41.90
2030	39.09	35.38	38.67
2100	31.73	34.72	37.87
2130	31.13	31.75	34.87
2200	29.99	34.63	37.75
2230	29.93	31.59	34.71
2300	29.47	25.56	28.68
2330	24.49	10.09	10.08
2400	10.06	9.09	9.09

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.89/MWh becomes 1.689p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456780 between 8.30am and 5.15pm Monday to Friday.
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Foster's teams with Wheelock in China venture

By Nikki Tait in Sydney

Foster's Brewing, the Melbourne-based group which owns Courage in the UK, has renewed its push into the Asian market by teaming with the Hong Kong-based Wheelock group to form a joint venture in the Chinese port city of Tianjin.

It is the first joint deal completed by the two companies since they signed a memorandum of understanding last year to pursue Chinese brewing opportunities.

The deal gives Foster's its third brewing operation in China: the Australian company's two existing Chinese interests are at Shanghai and Doumen, where it has a 60 per cent equity interest and operational control.

Foster's said yesterday that the government-owned Tianjin Chief Brewery would be a third partner in the venture.

Foster'a and Wheelock will own 50 per cent shares in the new company, the Tianjin Foster's Brewing Company, with the Chinese business having a minority interest at a subsidiary level.

The new venture has also bought Tianjin's only other hrewery, the bankrupt Bohai Brewery, for ahont A$8m (US$6.1m).

Foster's said it planned to manufacture at tbe Cbief Brewery facilities initially, but to recommission the Bohai plant and move production there later.

Given the maturity of beer markets in the west and problams with the Courage operations in the UK, much of Foster's future strategy depends on successful penetration in the Asian region.

In Jnne last year, it announced an internal reorganisation which set up a new Asian division. The China unit, which had been formed a year earlier, became a core part of that division.

Foster's said the Tianjin venture would take its total investment in China to about A$50m, and that the figure could reach about A$80m hy the end of 1995.

Bangkok Land fails in Asian Games bid

By William Barnes in Bangkok

The share price of Bangkok Land, Thailand's second biggest property company, fell 7 per cent yesterday to Bt57.5 after tbe company failed to win the right to bnild tbe sports complex for the 1998 Asian Games.

Tba contract wonld beve given the company's Maung Thong Thai development on tha outskirts of the capital a mnch-needed boost.

The Thai cabinet - wbicb yesterday ruled that the games wonld be centred on Thammasat University - held ont some hope that Bangkok Land could still benefit wben it said that Maung Thong Thai, and another complex called Huamark, would become subsidiary games sites.

Analysts say thet in trying to win the contract, Bangkok Land has tacitly admitted that its 640 hectare new town is in difficnltiss. One qnestion being asked by investors is how the company could offer 20,000 apartments for athletes' accommodation in its core 26,000-unit Popular Condominium project when it had said they were selling well.

Malaysian Airlines aims to be a high flyer

Analysts are sceptical, but MAS expects to continue its recovery, writes **Kieran Cooke**

Few doubt the ambitions of Mr Tajudin Ramli, the Malaysian entrepreneur and chairman of Malaysian Airlines (MAS).

"Our amhition is big, very big," seys Mr Tajudin. "Wa want to develop MAS into a global company. We believe Malaysian companies must be big enough to rule the world or we will not be able to reach the status of a developed country."

MAS recently reported its first results since Mr Tajudin took control of the airline last year lhrough a controversial, higbly leveraged M$1.79bn (US$702m) deal.

He had promised to shake up the financially-troubled airline, warning that if changes were not made it could go the same way as Pan Am, the US airline that went bankrupt in 1991.

The results for the six months to September 30 indicate that better times are on the way. Pre-tax profits rose hy more than 16 times, to M$101m from M$6.3m, while turnover was up 15 per cent at M$2.3bn. Mr Tajudin said recent cost-cutting and the more effective use of aircraft and staff had been instrumental in improving performance.

Yet many industry analysts remain sceptical about the airline's fortunes. They say the latest results leave many questions unanswered and wonder whether the profits recovery can be maintained.

Perhaps the most intriguing part of the MAS picture is the position of Mr Tajudin himself. He has multi-million dollar interests in telecommunications, tourism and transport and controls a private company in the aatellite business.

But he remains an unusual figure to head an airline, with all the management and financial demands tbat this involves.

Mr Tajudin owns the 32 per cent stake in MAS through Malaysian Helicopter Services (MHS), a small listed group whicb had pre-tax profits of M$21m last year. Mr Tajudin paid a substantial premium over the then market prire for his stake. Business rivals say Mr Tajudin has used political connections to win lucrative telecommunications licences. In return, he has been asked to reorganise MAS. The MAS cbairman disputes sucb rumours, saying he has merely responded to opportunities.

Tbe Malaysian carrier was established before the second world war. In the 1960s it was known as Malaysia-Singapore Airlines and in the early 1970s was split into MAS and Singapore Airlines (SIA). While SIA has become one of the most financially successful carriers, MAS has struggled to achieve profits, even though it carries more passengers than its neighbour and competitor.

In the early 1990s, when the global airline industry was in recession, MAS announced one of the world's most ambitious fleet expansion programmes, ordering 72 aircraft over the 1991-96 period costing a total of M$10.6bn.

But the expansion programme has put a severe strain on financial resources. In 1992-93, MAS bad pre-tax profits of M$157m, less than half the M$372m forecast when the airline raised US$700m at the end of 1992 in what was Malaysia's biggest rights issue. In 1993-94 pre-tax profits dived 90 per cent to M$16m, although the airline noted that the figure for tbe previous period included profits of M$337m from aircraft sales.

'MAS forecasts and profit figures are highly volatile,' says one analyst. 'It's virtually impossible to judge what will happen next'

"MAS forecasts and profit figures are highly volatile," said one Singapore-based analyst. "It's virtually impossible to judge what will happen next."

There are several puzzling factors in the latest figures: analysts doubt that cost-cutting measures, including staff cuts, could bave worked through so soon after Mr Tajudin's arrival as MAS chairman. There is also an unexplained 33 per cent rise in investment and other income - when interest rates were generally low. Though the overall load factor of the airline rose slightly to 64.4 per cent the overall yield - viewed in the industry as the most important performance factor - was not disclosed.

"For now you have to give Mr Tajudin tbe benefit of the douht and points for taking on such a big task," said an analyst in Kuala Lumpur. "MAS has benefited from the overall revival of tbe industry and low fuel costs over the period. It has also been helped by exchange rate fluctuations. MAS might sell or lease aircraft in the second half and the upturn in profits could continue."

However, there are big problems. Some analysts estimate that MAS needs to raise about M$4bn to finance its spending programme over the next four years. It is carrying out a big reorganisation and forming autonomous "profit centres", but other airlines have discovered tbat such moves are highly disruptive and can create more problems than they solve.

The airline is open to political interferenre: the government still retains a golden sbare and can veto changes in structure.

Some loss-making international routes, such as to Buenos Aires and Mexico City, have been inaugurated more to raise Malaysia's international profile than for commercial reasons. A new international airport being built south of Kuala Lumpur will not open until 1998. The existing facility and base of MAS operations is congested and needs refurbishing. A series of fires at the airport has caused MAS losses running into hundreds of thousands of dollars.

Mr Tajudin - and MAS - seem unfazed over the doubts about the airline's prospects. For Mr Tajudin, vision is very important. "We would like to continue to carve our name on the mountain. At the end of the day, we hope the mountain itself will change by the carvings we have done."

Great Eagle increase exceeds expectations

By Simon Holberton in Hong Kong

Great Eagle, the Hong Kong property and hotels group controlled by the Lo family, yesterday exceeded market expectations with a 73 per cent rise in 1994 net profit to HK$780m (US$101m) from HK$450m.

Profits were struck on a 104 par cent rise in turnover to HK$1.79bn from HK$879m.

There is a final dividend of 10.5 cents a share, making a total of 14.1 cents for the year, up 15.6 per cent.

Mr S. Y. Lo, chairman, said the property market had not performed well in the past few months because of higber interest rates and measures by the government to curb speculation.

"However, the commercial office market, in which the group is mainly involved, is expected to stay at healthy rental levels," he said.

Mr Lo said he was "very optimistic" about future economic davelopment in Hong Kong and China.

"In tbe medium and short-term, Hong Kong's economy should continue to grow satisfactorily. This should be underpinned by the massive airport construction works," he said.

The rise in profit was belped by an increase in net rental income, which more than doubled to HK$704.8m from HK$301.5m.

Mr K. S. Lo, deputy chairman, said the rents being charged in Citibank Plaza and Great Eagle Centre were below market levels. Many leases come np for renewal this year and in 1996.

"At a time when there will be limited new supply of grade A office space, especially in the core husiness districts, the group should benefit enormously from rental reversion in the coming years," he said.

Optus to go ahead with A$3bn network

By Nikki Tait

Optus Vision, the joint venture formed by Optus Communications, Continental Cablevision of the US and Mr Kerry Packer's Publishing & Broadcasting group, is to go ahead with its ambitious A$3bn (US$2.3bn) plan to build a broadband cable network across Australia.

The network, planned to embrace some 3m households by 1999, would be used to carry both pay-television and interactive services, and local telephone traffic.

The project was announced last September, but appeared to be close to collapse after Mr Michael Lee, the federal communications minister, outlined the potential rules governing broadband networks.

Mr Lee indicated that the government would not act to prevant duplication of cable networks being laid by Optus Vision and a rival consortium, comprising Telecom, the government-owned telecommunications group, and Mr Rupert Murdoch's News Corporation, and would require that all cable system operators offer "open access" to third-party programme suppliers after an initial start-up period.

Yesterday, Optus Vision said that it had decided to proceed after seeing a draft ministerial statement, released on December 23, which elaborated on this stance. It said it was particularly encouraged by the fact that it would be allowed to charge commercial rates to third-party suppliers ratber than bave to manage third-party access "on an incremental cost-based interconnect".

However, Seven Natwork, one of the potential participants in tha Optus Vision consortium has already withdrawn. The group will now be made up of Optus, with a 47.5 per cent intsrest, and Continental Cablevision with a similar stake. The Packer interests, which originally planned to take a 20 per cent holding, will have just 5 per cent at the outset with the option to take this to 20 per cent.

INTERNATIONAL CAPITAL MARKETS

Bunds benefit from investors' flight to quality

By Graham Bowley

German government bonds rallied sharply yesterday as investors continued to flee the high-yielding markets of Spain, Italy and Sweden over worries about rising debt and domestic political troubles.

These worries pushed the peseta and lira close to new lows and the D-Mark strengthened, providing a further boost to the German bond market.

Bunds moved higher through important technical levels at 88.70 and 89.00 on the 10-year futures contract, which dealers said sets a base for further rises in the next few days.

Dealers reported flows out of the US into the German government bond market, particularly into the 10-year sector.

The yield spread on US Treasuries versus bunds widened by 10 basis points to 35 basis points on the day.

"Yields on 10-year bunds of 7¾ per cent will be used as a buying opportunity in these markets," said one trader.

Bunds received a further boost from a downward revision to November M3 money supply figures and unexpectedly high German unemployment data, pushing back the prospect of an early rise in interest rates.

■ In Italy, the 10-year yield spread over bunds widened to 509 basis points from 485 points at the beginning of tha week.

Speculation intensified that the Bank of Italy will soon be forced to raise official interest rates following a rise in short-term money market rates. The repo rate jumped to 8.5 per cent, the same as the Lombard rate, the ceiling for interest rates.

■ The yield on Swedish 10-year government bonds rose to 11.2 per cent, an increase of 15 basis points from Monday'a close. The spread against bunds rose to 359 basis points at the close, representing a widening of 45 basis points since the beginning of the week.

GOVERNMENT BONDS

The market received little support from the budget presented yesterday by the government, whicb was largely in line with expectations.

The auction due today of five and 10-year stock will not be helped by the current difficult conditions, dealers said.

■ In Spain, confidence was further undermined by rumours that the peseta might be forced out of the European exchange rate mechanism.

The yield spread against bunds widened to 451 basis points from 440 points at Monday's close.

■ The UK gilt market fell in the general fligbt to quality across Europe.

Tbe Bank of England announced tbat Ecu1bn of three-year Treasury notes will be auctioned on January 17.

■ US Treasury prices advanced yesterday morning after December Producer Price Index figures released by the Labor Department came within the range of analysts' expectations.

By midday, the 30-year government bond had risen by ¼ to 95 13/16, with the yield falling to 7.859 per cent.

At the short end of the market, the two-year note was up 1/32 to 99 21/32, yielding 7.603 per cent.

The prices wholesalers pay for goods climbed by 0.2 per cent in December, bringing the PPI increase to 1.7 per cent for the year. Without the volatile food and energy components, the figure was also up 0.2 per cent, or 1.6 per cent on the year.

More worrisome to the markets was a solid jump in the prices of intermediate goods, not including food and energy. They gained 0.6 per cent in December, bringing the total for the year to 5.2 per cent.

The strong intermediate prices reinforced the consensus that the Federal Reserve will raise interest rates at or before the meeting of its Open Market Committee on January 31 to February 1.

In the current cycle of monetary tightening, the Fed bas raised rate six times since last January, bringing the target rate to 5½ per cent from 3 per cent.

Bonds also got a boost from a rising dollar. In morning trading in New York the currency firmed to Y100.32 and DM1.5375 against the Japanese yen and the D-Mark after dropping to Y99.9 and DM1.537 late on Monday.

Callable global from Fannie Mae

By Conner Middelmann

The US Federal National Mortgage Association, or Fannie Mae, is to inaugurate its recently established $20bn global debt facility with the first-ever global callable bond.

Lehman Brothers and Merrill Lynch have been appointed joint lead managers for tbc bond, which is expected to be launched next week.

Fannie Mae is the largest supplier of funds for American home mortgages and one of the world's biggest issuers of long-term debt. Since home owners can repay their mortgages before their final redemption, a significant amount of the bonds Fannie Mae issues to finance the loans contain a call option enabling it to redeem them early.

Callable bonds tend to pay a yield premium over 'bullet' bonds of the same maturity to compensate investors for the risk of early repayment.

"Callable debt is a viable funding tool allowing us to manage our $220bn mortgage portfolio more efficiently," said Ms Linda Knight, Fannie Mae senior vice-president and treasurer. Since 1988, when the agency began issuing callable bonds, it has sold some $130bn of such debt; about 55 per cent of outstanding long-term debt now contains a call option.

"Because of our reliance on callable dabt, we found it important to introduce this key funding tool very early on in the use of our global facility," she added.

The bonds will be targeted mainly ot institutional investors. In addition to the yield pick-up, she said "callable debt is becoming a more important factor in the indices against which institutional investors are being judged."

Swap opportunities prompt DM1bn offering from Depfa

By Martin Brice

The rally in the bund market belped Depfa Finance bring a DM1bn offering to tha euromarkets yesterday. Mr Frank Ruehland, treasurer of Depfa Bank, said the bonds had been launched after favourable swap opportunities appeared.

Joint book-runners Bayerische Landesbank and Commarzbank, said the bonds recelved a strong welcome from investors in Switzerland and the Benelux region. The issue was brought at 17 basis points over the bund and held at that level when freed to trade.

Other German banks are believed to be considering tapping the D-Mark sector, as are Ireland and Sweden.

Yesterday saw two US dollar deals, suggesting the overhang of dollar issuance after the $5bn of deals brought last week may be diminishing.

Dentsche Bank brought a five-year, $250m offering with an 8⅝ per cent coupon for Ford Motor Credit which saw good demand in Europe. The lead manager took $213m of the issue, and other houses said the deal had worked well.

INTERNATIONAL BONDS

Prime Target used Nomura to bring a $300m floating-rate note backed by government bonds. The deal also had Y3bn and Y5bn tranches.

EIB brought a five-year, L1,000bn floating-rate note issue at 30 basis points under three-month Libor. BCI, San Paolo and J. P. Morgan lead-managed the deal and reported strong damand from central banks and Italian money market accounts.

Province of Ontario opted for the first time to use Sanwa to lead-manage a Y10bn, five-year floating-rate note issue. Mr George Gibson, managing director of Sanwa, said the deal had been placed with institutions in Japan. The house has handled placements for Canadian borrowers in the past.

LB Schleswig-Holstein ended the famine of primary Canadian dollar paper, bringing a C$100m issue via Paribas at 23 basis points over the Canadian Treasury curve. When freed to trade, it widened to around 26 points, within full fees, the lead manager reported.

The GECC five-year deal callable after two years brought at $100m by Goldman Sachs on Monday was increased for the third time to $250m. GECC also brought its seventh deal in the past week as BZW handled its A$100m three-year deal with a coupon of 10¾ per cent, the highest in the Australian dollar short-dated sector.

DSL Bank offered an Ecu100m deal, which lead manager Hambros said was well received in the Benelux region and Switzerland. It sald Ecu3.3bn of bonds mature within two months.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Prime Target, Tranche 3(a)‡	300	(a1,s)	100.15	Oct.2001	0.15	-	Nomura International
Ford Motor Credit Co.	250	8.625	99.937R	Jan.2000	0.30R	-	Deutsche Bank London
GECC(b)	50	8.625	100.00R	Feb.2000	0.25R	-	Goldman Sachs International
YEN							
Province of Ontario*‡	10bn	(c)	100.165	Jan.2000	undscl.	-	Sanwa International
D-MARKS							
Depfa Finance, Neths.(l)	1bn	7.375	99.825R	Feb.1999	0.225R	+17(5⅝%-99)	Bayer LB/ Commerzbank
SWISS FRANCS							
JP Morgan & Co.	200	5.50	102.25	Feb.2003	2.625	-	Zurich Kantonalbank
ITALIAN LIRE							
European Investment Bank‡	1000bn	(d,s)	100.075	Mar.1998	0.20	-	BCI/JP Morgan/San Paolo
CANADIAN DOLLARS							
LB Schleswig-Holstein	100	8.25	99.8125R	Feb.1998	0.1875R	+23(f)	Paribas Capital Markets
GUILDERS							
Rabobank Nederland	500	8.00	101.25	Jan.2005	1.875	-	Rabobank Nederland
LUXEMBOURG FRANCS							
Republic of Ireland(l)	2bn	7.75	102.00	Apr.1998	1.375	-	BIL
ECUS							
DSL Bank(e,s)	100	8.25	99.975R	Aug.1998	0.1875R	+5(7¼%-98)	Hambros Bank
AUSTRALIAN DOLLARS							
GECC	100	10.75	101.285	Feb.1998	1.50	-	Barclays de Zoete Wedd

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. *Unlisted. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) 3-tranche deal. Tranche 1: Y3bn, 3-mth Libor +20bp, 17/1/98, 100.15%. Tranche 2: Y5bn, 5-yr swap rate -45bp, 1/10/01, 100.15%. a1) 3-mth Libor +45bp. b) Issue launched Monday was increased to $250m, Callable on 10/2/97 at par. c) ½% fxd annual to 30/1/98 and 12-mth Libor +30bp thereafter. Short last coupon. d) 3-mth Libor -30bp. e) Spread relates to French Govt Ecu BTANs. f) Over interpolated yield. l) Long 1st coupon. s) Short 1st coupon.

CME plans revival of Mexican peso contract

By Laurie Morse in Chicago and Ted Bardacke in Mexico City

The Chicago Mercantile Exchange is reacting to the turbulence in the Mexican peso by planning a revival of its dormant peso futures contract.

"We're going to do it at some point. We aren't sure on timing, but we'll have a contract trading within the year," said the CME's Mr Andy Yemma.

Mexican officials have said the central bank's effective veto over a peso futures market would be lifted. The central bank had argued that the market was not mature enough to handle complicated derivative instruments.

The CME will re-write the peso futures contract to allow settlement in US dollars and any contract will require the approval of the Commodity Futures Trading Commission.

The Mexican stock exchange has also said it intended to begin offering short-term exchange rate hedging instruments for companies and to seek to develop a market for futures and options to help control exchange rate risk.

The peso was one of the first foreign currency futures offered by the CME in 1972. However, trading halted in November 1985, when an edict by Mexico's central bank complicated peso deliveries against the Chicago contract.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		8.000	09/04	91.3900	+0.060	10.43	10.06	10.20
Belgium		7.750	10/04	95.0900	+0.260	8.50	8.50	8.29
Canada *		9.000	12/04	97.9500	-0.260	9.32	9.19	9.18
Denmark		7.000	12/04	86.3700	+0.050	8.15	8.11	8.67
France	BTAN	8.000	05/98	100.2500	-0.130	7.90	7.69	7.27
	OAT	7.500	04/05	94.3500	+0.340	8.33	8.40	8.03
Germany Bund		7.375	01/05	98.3300	+0.680	7.62	7.67	7.45
Italy		8.500	08/04	79.0700	-0.090	12.28†	12.04	11.92
Japan	No 118	4.800	06/99	103.1350	-0.080	3.97	3.84	3.65
	No 164	4.100	12/03	96.2200	+0.090	4.70	4.69	4.58
Netherlands		7.250	10/04	96.5600	+0.580	7.76	7.81	7.61
Spain		10.000	02/05	87.1000	-0.080	12.06	11.71	11.33
UK Gilts		8.000	08/99	90-02	-1/32	8.66	8.70	8.47
		8.750	11/04	87-04	-	8.72	8.78	8.51
		8.000	10/08	102-16	-	8.69	8.72	8.50
US Treasury *		7.875	11/04	100-11	+16/32	7.82	7.88	7.86
		7.500	11/24	96-00	+19/32	7.85	7.98	7.92
ECU (French Govt)		8.000	04/04	82.9000	+0.120	8.78	8.78	8.44

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime — Treasury Bills and Bond Yields

		One month	5.59	Two year	7.65
Prime rate	8½	Two month	5.70	Three year	7.81
Broker loan rate	8½	Three month	5.85	Five year	7.89
Fed.funds	5 7/16	Six month	6.68	10-year	7.86
Fed.funds at intervention	-	One year	7.25	30-year	7.90

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	109.60	109.80	+0.06	109.66	109.26	144,990	132,870
Jun	108.86	109.10	+0.14	108.60	108.60	372	3,282
Sep	108.30	108.54	+0.14	108.42	108.30	381	1,156

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Feb	Calls Mar	Calls Jun	Puts Feb	Puts Mar	Puts Jun
109	1.10	1.56	1.82	0.31	0.00	1.80
110	0.51	1.03	-	0.71	1.22	-
111	0.20	0.58	-	-	1.80	-
112	0.04	0.31	0.62	-	-	-
113	-	0.13	-	-	-	-

Est. vol. total, Calls 25,477 Puts 18,372. Previous day's open int., Calls 171,126 Puts 146,973.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	88.40	89.12	+0.88	89.16	88.36	184862	183073
Jun	88.00	88.55	+0.89	88.56	88.00	245	2004

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Feb	Calls Mar	Calls Apr	Calls Jun	Puts Feb	Puts Mar	Puts Apr	Puts Jun
8900	0.48	0.79	0.74	1.07	0.36	0.67	1.18	1.52
8950	0.25	0.55	0.56	0.87	0.63	0.93	1.50	1.82
9000	0.11	0.37	0.39	0.70	0.99	1.25	1.84	2.15

Est. vol. total, Calls 9589 Puts 12413. Previous day's open int., Calls 158606 Puts 99608

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	97.20	97.48	-0.07	97.65	96.97	36121	48318
Jun		96.78	-0.07			0	55

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
9700	1.77	2.49	1.29	2.71
9750	1.49	2.26	1.51	2.98
9800	1.22	2.05	1.74	3.27

Est. vol. total, Calls 2087 Puts 2603. Previous day's open int., Calls 18497 Puts 18222

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	82.26	82.44	+0.01	82.58	81.25	79,632	52,444

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	100-20	100-21	-	100-24	100-05	57686	91094
Jun		100-28	-			0	208

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
100	1-39	2-38	0-61	1-44
101	1-05	2-03	1-27	2-11
102	0-42	1-39	2-00	2-47

Est. vol. total, Calls 2017 Puts 1601. Previous day's open int., Calls 28670 Puts 36405

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	79.82	80.00	+0.12	80.00	79.60	3,044	8,305
Jun	-	79.74	+0.12	-	-	-	1

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	99-04	99-10	+0-07	99-18	99-04	210,876	383,479
Jun	98-24	98-29	+0-07	99-06	98-24	1,172	14,663
Sep	-	98-14	-0.10	-	-	24	1,497

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	108.00			108.04	107.96	2200	0
Jun	107.31			107.31	107.30	47	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tue Jan 10	Day's change %	Mon Jan 9	Accrued interest	xd adj. ytd		Low coupon yield Jan 10	Jan 9	Yr. ago	Medium coupon yield Jan 10	Jan 9	Yr. ago	High coupon yield Jan 10	Jan 9	Yr. ago
1 Up to 5 years (24)	118.70	-0.05	118.76	1.69	0.51	5 yrs	8.73	8.71	6.89	8.73	8.71	5.92	8.94	8.91	6.04
2 5-15 years (22)	139.06	-0.08	139.17	2.51	0.00	15 yrs	8.60	8.58	6.42	8.73	8.72	6.54	8.95	8.93	6.76
3 Over 15 years (8)	154.44	-0.07	154.55	2.08	1.18	20 yrs	8.57	8.54	6.53	8.73	8.72	6.50	8.90	8.87	6.78
4 Irredeemables (6)	174.76	-0.27	175.24	1.63	0.00	Irred.†	8.65	8.62	6.67						
5 All stocks (60)	135.94	-0.08	136.03	2.17	0.37										

Index-linked							Inflation 5% Jan 10	Jan 9	Yr. ago	Inflation 10% Jan 10	Jan 9	Yr. ago
6 Up to 5 years (2)	187.28	-0.03	187.33	1.40	0.00	Up to 5 yrs	4.17	4.14	2.18	2.96	2.93	1.55
7 Over 5 years (11)	172.96	-0.22	173.65	0.59	0.29	Over 5 yrs	3.91	3.89	2.96	3.72	3.70	2.79
8 All stocks (13)	173.57	-0.20	174.17	0.67	0.26							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Jan 10	Jan 9	Jan 6	Jan 5	Jan 4	Yr ago	High*	Low*
Govt. Secs. (UK)	90.60	90.79	90.86	90.81	90.80	100.32	107.04	89.54
Fixed Interest	108.06	109.23	109.32	109.35	109.35	132.18	133.87	108.50

* for 1994/5. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Jan 9	Jan 6	Jan 5	Jan 4	Jan 3
Gilt Edged bargains	96.8	78.3	85.6	85.4	79.8
5-day average	83.1	73.2	68.0	61.8	52.1

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on January 10

U.S. DOLLAR STRAIGHTS; SWISS FRANC STRAIGHTS; YEN STRAIGHTS; OTHER STRAIGHTS; DEUTSCHE MARK STRAIGHTS; FLOATING RATE NOTES; CONVERTIBLE BONDS

[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	1994/95 High	1994/95 Low
Shorts" (Lives up to Five Years)						
[illegible]						

Five to Fifteen Years; Over Fifteen Years; Undated; Index-Linked; Other Fixed Interest

[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for April 1994: 144.2 and for November 1994: 146.0.

* 'Tap' stock. ‡‡ Tax-free to non-residents on application. ‡ Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock.

Finance director resigns and shares dive 32p on anticipated shortfall

MDIS makes further warning

By Paul Taylor

Shares in McDonnell Information Systems fell sharply again yesterday, after the Hemel Hempstead-based computing services group issued its second profits warning in four months and announced that Mr Ian Knox, finance director, had resigned.

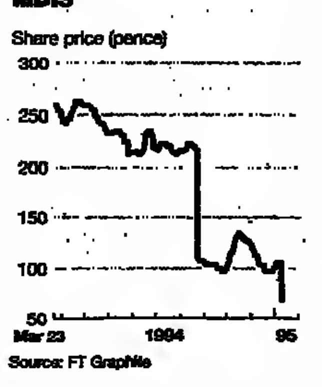
The shares which were floated at 260p in March, fell a further 32p to close at 74p yesterday. The group blamed software order slippage and other factors, including a £2.5m trading loss in the recently acquired Xerox Chess software business and higher than expected R&D expenditure, for an anticipated 1994 profits shortfall.

MDIS said turnover in 1994 will be similar to the £148.5m reported for 1993. The company added, howevar, "although MDIS traded profitably in the second half of 1994, trading has not met the board's expectations".

As a result, MDIS said "proforma profits before tax for the year from continuing operations will be significantly lower than both the pro-forma result for 1993 and current market estimates".

MDIS' reported pro-forma 1993 pre-tax profits of £21.3m and analysts, including those at County NatWest, the company'a broker, had already scaled back their 1994 profit estimates to between £13.5m and £17m.

The company added thet earnings will be affected by a higher than normal tax rate resulting from unrelieved overseas losses. However, it emphasised that it has a strong working capital position and was cash generative in the second half.



Source: FT Graphite

Accordingly, the board said it expected to recommend a final dividend of 3.95p making a total of 6.25p, unchanged from the pro-forma 1993 figure.

The board identified several key problem areas as contributing to the anticipated profits shortfall. Among these, it cited the slippage of orders in the public sector, lack of orders for its new flagship banking software package, PRO-IV IBS, and hardware supplier delays, togather with a 10 per cent increase in spending on R&D.

Although analysts had been expecting disappointing full year results, the scale of MDIS' problems disclosed yesterday caught them by surprise.

Mr Richard Holway, publisher of a newsletter which reports the financial performance of the UK computing services industry, said he was "seriously surprised" by the extent of the problems.

He added that he was also concerned about the knock-on effects of the MDIS problems on other companies in the software and computer services sector. "This is not good for the industry," he said.

Sodexho poised to take over Gardner

By David Blackwell in London and Andrew Jack in Paris

Sodexho, the French contract catering and services group, is in the final stages of taking over Gardner Merchant, the UK's higgest contract caterer.

The total consideration will be ahont £730m, comprising £550m and the assumption of £180m of debt. Sodexho will fund the deal through a FFr1.1bn (£132m) rights issue and a loan of FFr2.2bn, with the remainder coming from the gronp's treasnry operations.

Financiere Sodexho, the bolding company with almost half the capital, will take up its full entitlement in the rights issue.

Gardner Merchant said the two gronps had known each other for many years. "We have the highest regard for them. The two businesses are uniquely complementary – but heyond that we have no comment."

Tbe prospective takeover had been widely talked about since the weekend. Yesterday shares in Sodexho, listed on tbe Paris Bourse, were snspended pending the announcement, whicb was made late yesterday evening.

Sodexbo was interested in buying Gardner when it was etill owned by Forte, the hotels and leisure group, but it ls thought that it would not pay more than £400m. In the event, Gardner was bonght by the management for £402m at the end of 1992.

Forte still has a 24 per cent stake in Gardner, and will realise £132m if the deal goes ahead. Management and employees at Gardner own up to 20 per cent.

The City will he disappointed that Gardner Merchant will not now be floated. One analyst suggested that the buy-out would come to be seen as "one of tbe absolnte classics."

Sodexho is a similar gronp to Gardner, providing contract catering to businesses, edncational establishments, bospitals and construction sites around the world. The group, which is also a market leader in the restaurant vohcher business, operates in more than 40 countries.

Last year Sodexho, which has a market capitalisation of FFr4.5bn, reported turnover of FFr11.2bn. Gardner Merchant took turnover through the £1bn barrier in 1993-94.

Trafalgar estimates cost of Northern bid at £60m

By Michael Smith and David Wighton

Trafalgar House, the conglomerate, estimates the cost of its £1.2bn offer for Northern Electric at up to £60m.

The figure, contained in a footnote to one of its offer documents published on Monday, includes an estimate of some £30m for underwriting costs.

Trafalgar added yesterday it was also making substantial provision for fees associated with the first hid for a utility.

Analysts said the £60m estimate, if realised, would make the costs among the highest incurred in a UK takeover.

Northern yesterday called for the hid to be referred to the Monopolies and Mergers Commission, saying that it created a precedent and raised public interest issues.

Trafalgar responded that the bid raised no competition issues, and outstanding issues could be resolved hy Offer, the industry regulator.

Most regional electricity company executives and City analysts believe it is likely that the government will refer the bid to the MMC, but some lawyers believe precedent suggests the government will nod the offer through.

The deadline for submissions to a public consultation on the bid by Offer closed yesterday.

The controversy surrounding the derivatives contracts struck between Trafalgar and Swiss Bank Corporation intensified last night as it emerged that SBC'e marketmakers increased their holdings of Northern shares sharply immediately after the contracts were agreed.

On November 25, Trafalgar and SBC agreed a contract relating to 1.12m Northern shares. Over the next four days SBC'e marketmakers increased their holding from 520,408 to 1.36m. On December 1, a contract relating to a further 1.12m was atruck. Over the next five days SBC's marketmakers increased their interest from 1.82m to 2.29m.

Last week Swiss Bank revealed large holdings in several electricity companies, including an 8.24 per cent stake in Yorkshire and a 3.46 per cent stake in Northern. These had not been disclosed before because SBC said they were marketmaking positions which are not subject to the normal requirement for shareholdings of more than 3 per cent to be disclosed.

Mr David Morris, Northern chairman, said the bid raised public interest issues because it was the first bid for a UK utility.

"Issues of public policy arise when a public utility is subsumed into a conglomerate. They present the regulator with practical difficulties which may restrict the discharge of his statutory functions of protecting customers and shareholders."

Trafalgar responded that when the regional electricity companies were privatised four years ago the government made it clear that market forces would control the future of the industry.

Leeds Permanent chief's pay up 50%

By Alison Smith

Mr Roger Boyes, chief executive of Leeds Permanent Building Society, the UK'a fifth largest, received a pay increase of more than 50 per cent last year, taking his total remuneration to almost £300,000, according to the society's annual report.

Leeds is expected to merge with Halifax Building Society, the UK's biggest mortgage lender, later this year if both societies' members approve by the necessary majorities.

Mr Boyes' basic salary rose by 20 per cent from £176,000 to £212,000, in part reflecting the fact that for about half of 1992-93 he was finance director and Mr Mike Blackburn was chief executive.

His pay package also comprises two bonus schemes. The annnal bonus scheme produced a payment of 26 per cent or £55,000 last year, compared with £23,000 the previous year.

A three-year bonus scheme produced a further £31,000, but since this was the first year of tha current period, the sum has not been paid out but will be an element in the total payment at the end of the three years.

Both bonus schemes apply to the 10 senior executive staff at Leeds. A separate annual scheme for middle managers paid bonuses of 10 to 14 per cent. Most of the 5,500 staff received bonuses of 7 per cent.

Leeds said yesterday that the executive pay packages had been agreed by the remuneration committee, made up of non-executive directors. The schemes related to performance measures such as profitability and were not affected by the merger plans.

At the Leeds' board meeting in December, after several months as acting chief executive, Mr Boyes was confirmed as chief executive.

Mr Mike Blackburn, now chief executive at the Halifax, will head the merged society, and Leeds said yesterday that Mr Boyes' appointment was simply to formalise the position ahead of the planned merger.

Stakis doubles to £20m and beats City expectations

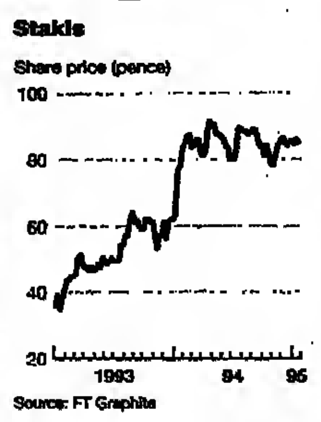
By James Buxton, Scottish Correspondent

Stakis, the hotels and casinos group, more than donhled pretax profits in the year to October 2 from £9.4m to £20.2m.

The outcome, which exceeded analysts' forecasts, reflected a sharp reduction in interest payments, a modest upturn in the economy, tight hotel and casino management policies and the first rewards of an acquisition policy. There were also gains of £660,000 and £400,000 respectively from a property sale and rating revaluation appeals.

The results are Stakis's last to be presented by Sir Lewis Robertson, the company doctor who became chairman in 1991 when the group got into difficulties as a result of over-expansion. He hands over to Mr Richard Cole-Hamilton in May.

Operating profit on continuing businesses increased by £5.7m to £32m on turnover up 12 per cent at £145.9m (£130.8m). The company spent £32m on acquiring four botels and a casino, which with purchases in the previous year boosted turnover by £4.2m and added £1.2m to operating profit.



Source: FT Graphite

Turnover in the 38 hotels was £94.2m (£86m), on which it made a profit of £24.6m (£20.5m). The occupancy rate was 69.7 per cent (68.5 per cent), which Mr David Michels, chief executive, said was "the best for any three or four star provincial botel chain".

Three casinos bought in 1993 helped lift this division's turnover by 15 per cent to £51.7m (£44.8m), while profit was up £1.6m at £12.5m. Cash drop rose by 17.8 per cent to £31m.

Interest paid fell from £18.3m to £11.8m, reflecting reduced borrowing following last March's £67m rights issue and a simplification of banking arrangements. Stakis still has £75m for further acquisitions.

Earnings per share grew by 81 per cent to 4.27p (2.36p), while n final dividend of 0.9p makes a total of 1.55p (1p).

In the first quarter of the current year, hotel occupancy was 69.9 per cent (64.4 per cent), and the yield per room was £30 (£27.40). In casinos, spend per head was £134 (£118) but the win percentage fell to 18 per cent (19.5 per cent).

● COMMENT

Stakis's success under Robertson and Michels is because of cleaning out the results of past errors and applying better management to well-located assets. Now it is exploiting a weak hotel property sector by shrewdly picking up and incorporating new hotels, for which opportunities still beckon. Analysts liked the results and are forecasting pre-tax profits this year of between £27m and £30m, implying a multiple of about 16, a premium to the market. But profits growth could tail off as the tax charge mounts after 1996, and many of Stakis's good points may already be factored into the share price.

Bespak up to £3.04m despite problems in medical markets

By James Whittington

Shares in Bespak closed down 8p to 280p yesterday despite a 5.7 per cent improvement in pre-tax profits from £2.88m to £3.04m in the six months to October 28.

The medical equipment manufacturer reported a 2.5 per cent increase in group sales to £31.8m (£31m).

Mr Peter Chambre, who took over as chief executive in May, described the result as a solid performance, but said problems continued to hamper the US and UK medical markets.

Overall sales in the UK rose by just 1 per cent to £19.7m. Turnover was hit by an 8 per cent decline in sales of traditional aerosol valves for dispensing respiratory drugs, mainly the result of destocking at Glaxo, and a small loss in Medix, the nebuliser manufacturer acquired in 1993.

The weaker dollar also depressed the value of exports to the US.

However, Mr Chambre said a 58 per cent rise in sales of other pharmaceutical goods and a strong performance in the personal care market showed the "potential for better performance".

He also said the group would benefit from the growth in dispensers for respiratory drugs in the form of dry powder, and from valves developed for non-CFC propellants.

US sales were up by 7 per cent to £15.1m, despite a 14 per cent drop in sales to US Surgical, Tenax Danbury's largest customer, which has lost much of its market share.

The North Carolina operation continued to suffer from manufacturing problems.

Mr Chambre said these weaknesses were being resolved and he expected a sustained recovery in the UK and further recovery at Tenax Danbury in the second half.

Earnings per share rose from 7.5p to 7.9p. An unchanged interim dividend of 4.2p is declared.

Carr's Milling holding merger talks with NWF

By David Blackwell

Carr's Milling Industries, which has interests in agribusiness, flour milling, baking and engineering, is in talks on a merger deal that could virtually double the size of the company.

The potential partner is NWF, a private Cheshire-based company which also has interests in agribusiness, as well as in distribution of groceries and fuel.

Carr's has a market capitalisation of £17.4m, while NWF is valued at about £16.5m. The common interest of both companies in animal feed and fertilisers provides the commercial logic for the merger.

Holding back the final blow

Stanhope's banks are treading uncharted waters, reports Simon London

Three weeks after its shares were suspended, the future of Stanhope, the property developer run by Mr Stuart Lipton, is still hanging by a slender thread.

The question is how much longer the company can remain in limbo and whether the company's banks – which decided not to extend further credit on December 22 – will force the company into receivership or accept one of the two rescue offers on the table.

So far the banks have not demanded immediate repayment of their £148m loans. This has allowed talks to continue even though Stanhope has technically run out of time to come up with a deal.

The banks have held back from delivering the final hlow partly because they are divided among themselves and partly because potential rescners have been willing to raise their offers.

Last week both British Land, the property investment company headed by Mr John Ritblat, and PosTel, the UK's largest pension fund run by Mr Alastair Ross Goobey, made new rescue proposals.

The 16 banks, led by Barclays, must now choose between the offers – both of which offer them repayment of about 82½p in the pound on their loans – and receivership.

The banks' decision is complex because Stanhope'a main asset is its 50 per cent stake in Broadgate Properties, the holding company which owns 1.5m sq ft of the Broadgate and Ludgate office developments in the City of London.

The other half of Broadgate Properties is controlled by the receiver to Rosehaugh, Stanhope's former development partner which went into receivership in 1992.

Many of Stanhope's banks also made loans to Rosehaugh, which owed £350m to 30 banks when it collapsed. Other banks also have loans outstanding to Broadgate Properties, which owes £750m to about 50 banks.

Thus, although Stanhope's banking syndicate is not especially large, the banks each have a different perspective on the central problem of how best to realisa the value of Broadgate.

The simplest option might be to accept British Land's offer. While the details are unclear, British Land appears to be offering the banks about £122m in cash and paper for Stanhope. This would give Mr Ritblat control of half of Broadgate Properties and put him in a strong position to lever the other half from Rosehaugh's receiver.

PosTel's proposal is initially more complicated, but leads to a more elegant result: it has offered to underwrite a £250m Stanhope rights issue which would allow the company to repay its banks and buy the half of Broadgate Properties it does not already own.

This solution is, in principle, appealing to many of the banks because it would consolidate control of Broadgate under a single entity. It also offers an escape route to hanks which mada loans to Rosehaugh.

But the plan relies on a price being agreed with Rosehaugh's banks. PosTel's initial £106m offer for the Rosehaugh half of Broadgate Properties was rejected. A revised £110m-plus offer is now on the table.

Awaiting the banks' decision: Stuart Lipton (left), John Rithlat (centre) and Alastair Ross Goobey – the principal players

Moreover, control of Broadgate Properties could be consolidated if Stanhope was forced into receivership alongside Rosehaugh.

A joint Rosehaugh-Stanhope receiver could market tha whole of Broadgate Properties – possibly realising a higher price than either PosTel or British Land are prepared to pay.

Yet receivership would be messy and fraught with risks: many of Stanhope's banks would rather accept 82½p in the pound now rather than gamble on being able to achieve a better price later.

Exactly how Stanhope's banks are split is difficult to judge. While a large number voted against extending further credit facilities on December 22, that vote could be misleading.

Many of the Japanese banks in the syndicate had agreed to an extension, hut only if consensus could be reached among the rest of the group.

According to sources close to the talks, Stanhope and its banks ran out of time haggling over whether the company should have access to £4.8m disposal proceeds as working capital. (The cash, from the sale of a joint development to Alfred McAlpine, was eventually put into an escrow account.)

The central question of whether to accept one of the rescue offers was not decided one way or the other.

The full syndicate met last Friday morning and still appears to be split. There is still an insufficient majority to aither call a default on the loan or grant an extension.

So far the inability of Stanhope's hanks to decide among themselves has done them no harm. As late as November, potential rescuers were saying that Stanhope was worth no more than 70p in the pound to its banks.

Indeed, several interested parties – including Morgan Stanley, tha Whitehall Fund run by Goldman Sachs, and a consortium led by Mr Elliott Bernerd of Chelsfield – dropped out of the bidding at this level.

Yet Stanhope cannot be kept in limbo indefinitely. Under Stock Exchange rules, the shares could remain suspended for up to six months. But Stanhope's directors have a personal responsibility to call in the receivers if the company is not a going concern.

This suggests that the banks will have to make a decision on Stanhope's future in a matter of days rather than weeks. The company, its advisers, and bankers are already in uncharted waters, though, with the outcome still finely balanced.

TIMETABLE OF EVENTS

● December 12-16: British Land and PosTel both improve rescue offers to Stanhope's banks

● December 19: Stanhope'e £148m loans fall due for repayment – the banks agree to a three-day extension while offers are discussed

● December 22: extension expires without agreement – shares suspended at 8p pending clarification of Stanhope's financial position

● January 2-4: British Land and PosTel improve rescue offers again

● January 5: Rosehaugh banks meet to consider PosTel offer for their half share of Broadgate Properties

● January 6: Stanhope banks meet to consider their position and decide not to force the company into receivership

Legal & General switches from cash into equities

By Peter John

Legal & General, the life insurance gronp, said yesterday its investment arm had moved up to £250m of funds into the UK stock market.

This has been largely carried out through the derivatives market over a six week period. It represents a decision to raise the equity weighting of its various funds, worth a total of £30bn, by 2.5 percentage points.

Mr David Shaw, investment strategy director, said the shift away from cash holdings reflected a view that the FT-SE 100 Index would reach 3,450 over a 12-month period, a rise of some 13 per cent from the level of the market at the time the decision was made.

That forecast is broadly in line with most of the leading securities houses and would suggest that there is a general trend to increase weightings, particularly by UK investment institutions.

However, levels of turnover have been low over Christmas and new year suggesting that institutions have remained on the sidelines as bond prices have continued to languish.

L&G announced yesterday that it had changed its economic view and was now focusing on headlina inflation rather than bond yields.

"As long as the headline inflation rate remains below 4 per cent our analysis is correct," said Mr Shaw. "On the basis of intrinsic valuation and the economic fundamentals we are making for a case for London picking up irrespectiva of New York.

"The issue will turn on how much US inflation picks up. If there is a major setback in Wall Street, it is most unlikely that London could decouple, but we don't think such a setback is probable."

Hollas £1.7m loss after charges

Hollas, the clothing and textiles group, showed a substantial improvement in interim operating profits hnt the costs of its expansion and reorganisation resulted in a sharp setback at the pre-tax level.

Operating profits from continuing operations amounted to £1.35m in the six months to September 30, against a restated £172,000. Turnover jumped to £35.8m (£20.1m).

The company decided, however, to bite the bullet on costs of the restructuring with a £1.5m exceptional charge, which together with a £353,000 debit for closure costs and £724,000 for goodwill previously written off to reserves left the pre-tax line showing a deficit of £1.71m (losses of £254,000).

Hollas stressed that had it not voluntarily adopted FRS 7 principles then much of the reorganisation costs would have been charged against goodwill at the time of the acquisitions of Textilion and Macbean in March and would not have been taken onto the profit and loss account.

The figures also took in a £308,000 operating loss (£92,000 profit) at Hawkshead, the mail order joint venture with Kleeneze.

Hollas, which intends to seek a buyer for the business when the venture unwinds in October, is currently involved in litigation with Mr Allan Richens, former managing director of the operation.

Basic losses per share emerged at 1.07p (0.53p); adjustment for Hawkshead and the exceptional items resulted in earnings of 0.55p (0.06p). The interim dividend is again 0.3p and the directors stated their intention to declare an increased final (0.3p).

Directors' pay nearly doubled at Compass

By David Blackwell

Directors' emoluments almost doubled last year to £1.6m at Compass, the catering and healthcare group, according to the report and accounts. Of the total, which includes pension contribntions, £440,000 was in bonus payments.

The bonus scheme was due to run over three years, with payment at the end of this year.

However, the scheme was introdnced when the group was still centred on the UK, and before the acquisitions of Scandinavian Service Partners and Canteen effectively doubled its size. The remuneration committee decided to rednce the scheme to two years, and pay the bonuses this year.

Mr Francis Mackay, the chief executive, who sits on the remuneration committee, was paid a salary of £270,973 and a bonus of £120,000, taking his total remuneration from £226,264 to £390,973.

Subdued debut for Caledonian Media

Shares in Caledonian Media Communications, formerly known as Devanha, were unchanged at 24p after first day trading in the Scottish television company. Its debut follows Devanha's reverse takeover of Worth Investment Trust, which made a £24m bid for the company.

Manchester United breaks transfer record

By Tim Burt

Manchester United, Britain's most profitable football club, yesterday announced the largest acquisition yet seen in the domestic game with the £7m purchase of Andy Cole, the Newcastle United striker.

In a statement to the Stock Exchange, Mr Martin Edwards, Manchester United's chief executive, said the club had agreed to pay £6m cash for Cole and would transfer midfielder Keith Gillespie, valued at £1m, to Newcastle.

As part of the transaction, the club will make an initial payment of £3m followed by 12 instalments of £250,000 over the next year.

The deal is likely to be financed from Manchester United's transfer fee reserve, which was increased from £1.25m to £4m after pre-tax profits more than doubled to £10.8m (£4.2m) in the year to July 31.

Industry analysts said the deal was unlikely to affect this year's profits forecasts of £9.5m.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Abtrust High Inc	int	1.5	Feb 20	-	-	2.84♦
Ashanti Gold	fin	25★	Mar 15	-	25	-
Bespak	int	4.2	Feb 23	4.2	-	10.2
Debenham Tewson	int	1.5	Feb 21	1.5	-	3.5
Gartmore British	int	1.82‡	Feb 28	-	-	-
Hollas	int	0.3†	Apr 5	0.3	-	0.6
Howden	int	0.89†	May 1	0.82	-	2.43
Jacques Vert	int	2.25	Apr 6	1.5	-	4.5
M&W	fin	2	Feb 24	1.9	3.25	3
Osprey Comms	fin	nil	-	nil	0.1	0.1
Quality Care	fin	3	Mar 6	3	4.5	4.5
Stakis	fin	0.9	Apr 7	0.55	1.55	1.00
Treatt §	fin	3.4	Apr 13	2.9	4.6	4

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ★US cents. ♦For eight months. ‡Third interim makes 5.46p to date; excludes 0.54p special distribution.

COMPANY NEWS: UK

Acquisition of ITC Entertainment will expand group's film interests

$165m wedding for PolyGram

PolyGram, the UK entertainment group, is expanding its film interests by buying ITC Entertainment in a deal valued at $165m (£106m), writes Alice Rawsthorn.

Foundad by Lord 'Lew' Grade, ITC owns the rights to 350 feature films and vintage television series incInding *Thunderbirds*, *The Saint* and *The Tom Jones Show*.

The move forms part of a long term stratagy for PolyGram, which is already one of the world's largest music groups.

It has recently been creating a film production and distribution business which, last year, had a worldwide hit with *Four Weddings And A Funeral*.

PolyGram is controlled hy Philips, the Dutch electronics concern.

Mr Michael Kuhn, president of PolyGram Filmed Entertainment, said the ITC acquisition "not only gives us access to a catalogua of very attractive properties, but also takes us into TV syndication in the US".

ITC was founded in 1954 by the flamboyant Lord Grade, who started his show business career as a champlon Charleston dancer and dominated the hirth of UK commercial television in the 1950s and 1960s.

He moved into film production in the 1970s only to lose control of his company in 1982 after the failure of *Raise The Titanic*, whicb cost $36m to make and took just $8m at the box office.

ITC then went through a number of different owners. It has in the past two years been revitalised under Mr Jules Haimovitz, a US television executive, who has rekindled its film production interests, notably by backing *The Last Seduction*, and marketed its catalogue more actively.

ITC owns the rights to 10,000 hours of film including movies such as *On Golden Pond* and *Return Of The Pink Panther*. Mr Haimovitz will continue as president under PolyGram: with Lord Grade rejoining as life chairman.

Splicing the star-studded jigsaw

New film group will focus on distribution, says Alice Rawsthorn

PolyGram is accustomed to star-studded deals.

It is, after all, one of the world's largest mustc groups with U2 and Luciano Pavarotti on its roster, and it recently acquired the Tamla Motown and Def Jam record labels.

But for pure pizzazz it would be hard to beat yesterday'a deal whareby PolyGram paid $165m for ITC Entertainment, which boasts *Thunderbirds*, *Joe 90*, *Captain Scarlet* and *The Prisoner* in lts catalogue of television shows and Lord 'Lew' Grade as its founder and new life chairman.

The acquisition of ITC is a logical addition to PolyGram's fast-growing film division.

However, it is only one of the final pieces in the jigsaw with which PolyGram plans to create a fully-fledged film production and distribution business.

PolyGram arrived in Hollywood in spring 1991 when Mr Michael Kuhn, a British lawyer, moved over from its music division to set up PolyGram Filmed Entertainment, armed with $200m in initial working capital.

The company has since backed some 35 movies.

Four Weddings And A Funeral, its biggest hit, cost less than $5m to make and has become the highest grossing British film ever, taking $250m at the box office.

It has also had a string of smaller hits.

These include *Priscilla, Queen Of The Desert*, the camp comedy that cost less than $2m and has grossed $29m, and *Nell*, the new Jodie Foster film, which has already taken $20m in the US.

PolyGram is now regarded in Hollywood as one of the new 'mini-majors', alongside New Line, the film company owned by Mr Ted Turner, the media mogul. These are smaller than the established studios, but larger than classic independents.

The ITC deal will strengthen PFE by expanding its back catalogue.

Mr Kuhn said that, although the current management had "knocked ITC into shape" the company's chequered history meant that some of its properties were still under-exploited.

He also plans to film some of its television properties, such as *The Prisoner*, which he sees as a "major motion picture".

Mr Kuhn now hopes to acquire more film and television catalogues. PolyGram has also been mooted as a poteotial purchaser for the MGM movia studio, when Crédit Lyonnais, the French bank, finally relinquishes control.

However, Mr Kuhn's next major move will be in distribution. He estimates that PFE's share of *Four Weddings'* profits doubled in countries where it handled distribution and if it is to derive the full henefit of future hits, PFE must distribute its own films.

Trevor Humphries

Michael Kuhn (seated) with Lord Grade (left) and Jules Haimovitz

PFE already handles its own distribution in some markets, such as the UK, and has formed a joint venture with Universal, the studio owned by Matsushita, tha Japanese electronics group, to distribute its smaller films in the US.

It still sub-contracts distribution of larger productions to the big US studios. PFE has teamed up with 20th Century Fox for *Paris Match*, a $40m comedy starring Meg Ryan and Kevin Kline, which comes out in May.

Fox will invest in the production and pay for the marketing. It will also keep a larger share of the profits if *Paris Match* is a success, or the loss, if it is not.

The capital cost of establishing a distribution operation would be "relatively modest", said Mr Kuhn, but he had to be confident that PFE could produce enough hits to counter the impact of its full exposure to any failures.

He said: "It's a judgment call. We've got the necessary quantity of films – we're now making nearly 20 a year – but we've must be sure that the quality is right."

"If it isn't, I'll be out of Hollywood and back in London driving a number 19 hus."

Howden responds to overseas demand

By Tim Burt

Howden Group, the world's largest manufacturer of industrial fans, yesterday announced plans to start export prodnction in Sonth Africa and increase outpnt in sonth-east Asia amid growing overseas demand for its engineering products.

Buoyant sales in those markets helped lift first half profits hy 12 per cent to £10.6m (£9.45m), on turnover ahead from £174.4m to £193.8m.

Mr Johnny Johnsen, chief execntive, said the improvement in the six months to October 31 was due in part to first time contributions from Donkin Manufacturing, the South African fan maker acqnired last summer, and benefits of restructuring elsewhere in the gronp.

At the operating level, new acquisitions contributed 43 per cent of the profits lncrease from £10.4m to £12.2m, and added £9.19m to the sales total.

"South Africa has performed wonderfully and, following the political changes, we've set up a task force there to win export contracts in North America and Europe," said Mr Johnsen.

He also predicted raptd growth in China, where the company has taken a 70 per cent stake in a new engineering plant.

Gronp borrowings rose £7m to £41m – equivalent to gearing of 40 per cent – to cover increased production costs at Wirth, its German drilling eqnipment subsidiary.

Mr Johnsen predicted gearing would fall to ahout 35 per cent once Wirth was paid for two tunnel boring machines ordered by Spie Batignolles, the French construction groop.

Earnings per share rose to 2.5p (2.2p), and the interim dividend is 0.89p (0.82p).

Although the shares fell 5p to 89p yesterday, analysts broadly welcomed the figures and suggested the decline was dne mainly to profit-taking. Forecast fnll year profits of about £31m put the shares on a forward moltiple of 12 – a 12 per cent discount to the market.

Profits are expected to exceed £36m next year once Howden has completed the rationalisation of Wirth and the restructuring at Novenco and Buffalo, the two fan companies acquired in 1993.

Lambert Howarth £5.2m purchase

Lambert Howarth Gronp, the footwear snpplier, is paying np to £5.2m for Paul Goldstone, an importer of ceramic tableware and giftware from Portugal for supply to Marks and Spencer.

Lambert, which also snpplies *M&S*, forecast pre-tax profits of not less than £1.7m for 1994. This compares with £1.42m previously.

Goldstone made pre-tax profits of £537,000 on turnover of £5.47m in 1993.

Premier paper offer puts £102m price tag on Pict

By Geoff Dyer

Premier Consolidated Oilficlds, the independent oil company, yesterday announced the terms of a recommended paper offer for Pict Petroleum, valuing its smaller competitor at £102m.

The offer is equivalent to a Pict share price of 197.6p, a premium of 40.1 per cent to the price on December 16, the day before Premier confirmed it was in discussions which might lead to an offer. At that time Premier valued Pict at £80m.

Premier also said that it expected to begin paying a dividend in the current financial year.

Shares in Pict rose 31p to 188p on the news. Premier's shares dropped 1p to 25p.

Pict's shareholders are to be offered 31 new Premier shares for every four sbares beld, leading to the issue of 408m new Premier shares.

Amerada Hess, the US oil and gas exploration group, has agreed to sell its 48.3 per cent stake in Pict, and to raise its stake in Premier to 25 per cent by paying up to £19.8m for 60m new Premlcr shares at 33p per share, a 32 per cent premlum over yesterday's closing price.

Mr John Lander, managing director of Pict, is to hecome a director of Premier. Mr Sam Laidlaw, managing director of Amerada Hess, will also join the board as a non-executive director.

Mr Charles Jamleson, chief executive of Premler, said: "We are comfortable with the value being put on Pict. We hope the merger will bring about a re-rating of Premier."

He said the marger would improve the balance hetween UK and international business, between short and longer-term projects, and between oil and gas.

The capital injection from Amerada and the merger would strengthen the group's financial position. Gearing, which was 50 per cent on December 31, would fall to 28 per cent.

Mr Lander said that the deal was excellent value for Pict shareholders.

Premier has proven reserves of 93.8m barrels of oil equivalent and hopes to increase daily production from 15,000 barrels to 20,000 hy the end of this year through production at the gasfield ln Qadlrpur, Pakistan, and the Wytch Farm and Fife oilfields.

Pict has proven reserves of 19.2m barrels and produces 5,400 barrels a day.

Mr Laidlaw, who approached Premier about selling the Pict stake in November, said: "We want to grow our international exposure and taking a stake in Premier fits with our objectives."

Ashanti at record $112m as reserves increase 9%

By Kenneth Gooding, Mining Correspondent

Ashanti Goldfields of Ghana, which was floated in London and Accra in April, yesterday reported a sixth successive year of increased gold production and earnings.

Proven and probahle reserves had risen by 9 per cent to 19.7m troy ounces.

Mr Sam Jonah, chief executive, said the company was on target to produce 1m ounces of gold in the present financial year. Ashanti was embarking on an international exploration and developmant programme, increasing spending this year from $5m to $30m (£19m).

Pre-tax profits for the year to September 30 increased by 24 per cent to a record $112.4m ($90.5m). Turnover rose 18 per cent to $324.3m ($275.1m).

The $14.4m costs of flotation were taken as an extraordinary charge.

Earnings per share were 117 cents (108 cents) or 133 cents before the extraordinary charge, well ahead of most analysts' expectations.

A 25 cents dividend is recommended. A payment of 37.5 cents for the current year was promised in the prospectus.

Gold production rose by 6.8 per cent to 822,954 ounces. Cash production costs rose from $164 to $167 an ounce but are still among the lowest in the world. Total costs were $241 an ounce.

The company sold 522,000 ounces (64 per cent of production) in the spot market at an average of $383 an ounce, a 7 per cent lmprovement on the previous year. Some 301,000 ounces were sold under hedging contracts to realise an average $388 an ounce.

Ashantl put in place a "floor" price of $399 an ounce for 888,000 ounces of 1994-95 scheduled production. Mr Mark Keatley, chief financial officer, said Ashantl used spot deferred contracts to gain most of the benefit of any gold price rise. The company had hedged some production five years ahead.

Operatlons generated cash flows of $153m, an increase of 8 per cent. Of that $127m was invested in operations and, after $21m for net interest and dividends, the net cash inflow before financing was $5m. Financing activities included $78m from the flotation.

● **COMMENT**

Ashanti has dellvered all it promised at the flotation. And, after continuously mining for more than 100 years, it was still able to add a net 1.6m new ounces to reserves. This gives room to increase annual production modestly from the 1m ounces it is on course to produce this year. The company is capahle of earning 140 cents to 150 cents a share this year and has promised a 50 per cent increase in dividends. Ashanti deserves to be part of any major gold portfolio yet the shares languish only marginally obove the flotation price. Partly this is because investors still do not know how to rate a Ghanaian company. The board is working hard to educate the international financial community and change perceptions but these afforts will take time to bear fruit.

Quality Care ahead to £3.7m but occupancy rates lower

By James Whittington

Expansion continued at Quallty Care Homes, the Darlington-based nursing home operator, and pre-tax profits for the year to October 31 rose 24 per cent from £3m to £3.7m.

Mr Duncan Bannatyne, chairman and chief executive, described trading as "good" with a 44 per cent increase ln turnover from £8.7m to £12.5m.

But operating margins fell from 36.4 per cent to 32.8 per cent because of a drop in occupancy rates, which hava suffered from the implementation in 1993 of the Community Care Act.

Occupancy fell to 91 per cent last year against 98 per cent in 1992-93.

Capital expenditure totalled £7.3m, compared to operating cash flow of £4.33m, and gearing rose from 29 per cent to 35 per cent as a result of a £3.7m increase in bank borrowing.

With expenditure targeted to reach £10m this year, Mr Bannatyne said shareholders would be offered a scrip dividend alternative to retain cash for investment. A final divldend of 3p is recommended to match last year's total of 4.5p.

QCH increased the number of beds in operation by 50 per cent to 1,195.

Mr Bannatyne said the total number of beds would be increased by 400 a year. Average cost per bed was £20,000, against an industry average of £30,000.

Earnings per share rose 17 per cent to 20.43p (17.52p).

Norwich Union policy pay-outs cut by 9.4%

By Scheherazade Daneshkhu

Norwich Union, the mutual insurer, yesterday announced cuts of 9.4 per cent in its pay-outs on short-term with-profits policies – the heaviest so far.

Last week, General Accident, Commercial Union and Friends Provident announced cuts of 6.1 per cent, 5.7 per cent and 4.2 per cent respectively on 10-year endowment policy pay-outs.

Mr Richard Harvey, general manager (finance), said 1994 had been a disappointing year for investment markets. "Pay-outs cannot be maintained at previous levels which were built up during the high returns of the 1980s," he said. "Future bonus rates must reflect expected returns over the lifetime of each policy."

Norwich Union axpects investment returns to be higher in the next five years than in the first half of the 1990s but for these returns to be about half of those seen in the previous decade.

The vaine of a 25-year endowment policy taken ont by a man aged 29 paying £50 a month maturing in 1995 is £92,457 compared with £98,423 last year. The corresponding figure for a 10-year policy is £10,218, against £11,277.

Export penetration helps Treatt rise 21%

By David Blackwell

Rising levels of exports helped Treatt, the USM-traded supplier, blender and distiller of essential oils and aromatic chemicals, lift both annual profits and sales hy more than 20 per cent.

For the year to September 30 pre-tax profits rose 21 per cent, from £1.66m to £2.02m, while sales increased 22 per cent to £18.7m (£15.4m).

Sharp rises in many commodity prices since last October are expected to lead to a strong first half this time, as the group has already secured enough supplies to meat demand for the rest of the year. Orange oil, which accounts for 20 per cent of its business, has risen from $1.50 to more than $4 a kilo following drought in Brazil.

Treatt has a basic range of over 100 essential oils. Its customers include flavour and fragrance creators as well as manufacturers of soft drinks, food, pharmaceuticals and detergents. In 1990 it formed Florida Treatt in order to make natural orange juice aromas – sales last year rose by nearly 70 per cent.

Earnings rose from 12.27p to 14.12p. A final dividend of 3.4p takes the total to 4.6p (4p).

Retailers report higher sales in the run-up to Christmas

Like-for-like sales at Signet, the jewellery group formerly known as Ratners, advanced just 3 per cent in the 11 months to December 1994, compared with the same period the previous year.

In the last two months, which included Thanksgiving and Christmas, the comparable increase in both the UK and the US was also 3 per cent.

However, the group said that pre-tax profits for the year to January 28 were likely to be "comfortably ahead" of the previous year's £1.6m before provisions for the sale of Salisbury's, the figure falling "within the overall range of analysts' current forecasts".

Clinton Cards, the greeting cards retailer, said trading in the five-week period to December 31 was satisfactory and in line with directors' expectations.

On a like-for-like basis, with prices held at 1993 levels, greeting cards' sales improved slightly over last year. Volume sales of gift products also showed increases, but tickat prices were lower.

Trading for Christmas and the new year at Whitbread was ahead of the same period last year and in line with expectations.

Trends were similar to the first half with food sales in Whitbread Inns showing the strongest growth. Beer volumes through its pubs were also ahead, while Beefeater and TGI Friday's traded well.

Break for the Border Group, the restaurant and live music venue operator, reported a 23 per cent increase in turnover for the quarter ended December 31 compared with tha same period the previous year.

Trading growth was strong in both Dublin and London.

At Hodder Headline, the publishing group, like-for-like sales in the last quarter of 1994 were 13 per cent ahead.

Group sales for 1994, the first full year to include Hodder & Stoughton's results, rose 53 per cent from £51m to £78m.

Campari shares suspended pending restructuring

Shares in Campari International were suspended at 25p yesterday at the company's request, while it formulates proposals for restructuring and refinancing.

The sportswear and leisurewear group will announce further details in the next two weeks.

Campari's share price dropped hy a third to 24p last October, wben lt reported a pre-tax loss of £3.96m for the six months to June 30, following a 13 per cent slide in sales.

The reorganisation proposed at that time involved substantial cost-cutting, and the group said that the continuing support of its banks would depend on meeting short-term targets.

UM planning expansion into Europe

By Alison Maitland

UM Group, Tate & Lyle's sugar trading, animal feed and storage division, plans further acquisitions in continental Europe after completing a reorganisation of its activities.

"We feel the UK is a small market for our businesses now and we're going to expand out from that business into mainland Europe in the coming years," said Mr Tim Holderness-Roddam, chief executive, at the group's formal launch yesterday.

UM, formerly United Molasses, was renamed last October to reflect a shift in business operations from sugar and molasses trading into higher value activities such as storage, speciality animal feeds and feed mill engineering.

The shift was designed to "withstand the ups and downs of the commodity trading side," said Mr Simon Mitchell, finance director.

Sugar trading is expected to contribute only 13.5 per cent of UM's pre-tax profits this year, compared with 40.6 per cent in September 1990. Storage and engineering will together contribute 42 per cent, against 18 per cent five years ago.

Molasses trading, in which UM is the international market leader, remains "the glue" that holds the group's businesses together, said Mr Holderness-Roddam. Its share of profits is expected to be 33 per cent this year compared with 37 per cent in 1990.

In line with last year's decision by Tate & Lyle to provide less detailed segmental data than previously, UM declined to give a profits forecast. Sales contribute £750m, much of it from low margin trading activities, to Tate & Lyle's £3bn turnover.

Mr Holderness-Roddam said UM, which employs 1,500 people and operates in 25 countries, had spent more than £15m on nine acquisitions in the past three years to expand its feed, storage and engineering equipment businesses. Although mainly in the UK, these included Germany's Walter engineering equipment name and product range.

Recent investment in existing businesses included £13m in the dry feedstuffs storage facility at Royal Portbury Dock, Avonmouth, where new facilities are due to open this week, doubling capacity to 200,000 tonnes. UM aims to attract more than a third of the animal feedstuffs imported into the UK to Portbury in the next three to four years.

NEWS DIGEST

Jacques Vert 63% up at £1.4m

With a 63 per cent increase in pre-tax profits and borrowings eliminated at the half year, Jacques Vert, the women's wear group, was able to announce a 50 per cent increase in its interim dividend.

Pre-tax profits for the six months to October 29 were up from £833,000 to £1.36m on turnover 14 per cent ahead at £24.1m (£21.2m).

The strongest lmprovament in performance came from the retail division, which increased operating profits from £127,000 to £458,000; the manufacturing division saw operating profits rise from £822,000 to £980,000.

Earnings per share doubled to 9.6p (4.8p) and the interim dividend is increased to 2.25p (1.5p).

Osprey improves

Osprey Communications, the advertising and marketing group, reported a sharp improvement in the year to September 30 with a £379,000 pre-tax profit. There were losses of £5.08m for the previous 16 month period following an exceptional £4.33m charge.

Following disposals, which included Acute-Marketing and Communications, total turnover was down from £39.9m to £28.9m. Continuing operations contributed £20.3m (£17.5m) to turnover and an oparating profit of £471,000 (£618,000 loss); acquisitions contrihuted £8.69m (£10.5m) to turnover and an operating profit of £105,000 (£7,000 loss).

Interest payments were cut from £462,000 to £124,000.

Earnings per share came out at 1.88p (30.12p losses).

M&W at £2.61m

M&W, the convenience store operator, reported pre-tax profits of £2.61m for the year to October 2, against £2.77m for the previous 53-week period.

Mr Basil Taylor, chief executive, said the group had continued to expand and was currently operating 146 stores. In the present year it planned to acquire 30 stores, largely by single acquisition.

Retail sales advanced hy 19.9 per cent, of which new stores accounted for 16 per cent.

Turnover was £85.8m, against £79.6m which included £8.09m from discontinued operations. The pre-tax result was after reduced exceptional income of £83,146 (£464,773) and interest charges of £31,511 against £26,254 received.

Earnings per share emerged at 10.64p (12.52p) and a final dividend of 2p is recommended for a 3.25p (3p) total.

BBA closure

BBA Group, the engineering and motor components company, yesterday confirmed that it had closed Page Avjet, its US aircraft refurbishing subsidiary, with the loss of 150 jobs.

The move marks the latest stage of the restructuring programme which cost £18m in the first half of last year. Mr Roberto Quarta, chief executive, declined to reveal the full closure cost but said it would be more than offset by November's £80m disposal of the Angus fire protection business.

"Most of the hit will be goodwill that we'va already written off," he added. Analysts expect that write-off to exceed £15m, with a further £5m to cover redundancies.

Euromoney US buy

Euromoney is expanding its US operations with the purchase of International Media Partners for $2.75m (£1.76m) cash.

The vendor is Veronis Suhler & Associates.

IMP's main activities are publishing daily newspapers at development bank meetings and organising conferences for chief executives.

A special purpose vehicla is heing formed to operate the business, which will be owned 95 per cent by Euromoney and 5 per cent by management.

The management bas an option to increase its stake to 10 per cent and Euromoney has the right to buy back the management stake for up to $3m.

Telemetrix buy

GTI Corporation, the 58 per cent-owned US subsidiary of Telemetrix, the electronic components maker, is buying 72 per cent of Promptus Communications for $19m (£12m) cash.

To fund part of the consideration, GTI is raising a gross $10m through the issue of 650,000 shares at $15.50. Telemetrix is taking up 375,000 of the shares to maintain its proportionate voting interest.

Promptus supplies digital network access systems.

Capital Shopping

Capital Shopping Centres, the property company, is linking with Braehead Park, a joint venture between J Sainsbury and Marks snd Spencer, to develop a leisure and retail complex at Braehead, near Glasgow.

Braehead Park will feature a sbopping mall wbich, it is expected, will alone create more than 3,000 jobs.

Debenham Tewson

Debenham Tewson & Chinnocks Holdings, the property adviser, hopes to see an increase in activity in the second half of the year as the economy moves out of recession.

The comments accompanied pre-tax profits for the six months to October 31 up 8 per cent at £1.79m (£1.65m), on turnover ahead 4 per cent to £28m (£27m).

Earnings per share were 2.65p (2.49p) and the interim dividend is held at 1.5p.

Trio contests claim

Trio Holdings, the money and securities broker, is contesting a claim against one of its US offshoots and has asked for a Declaratory Judgement in the Federal Court in New York.

The offshoot is also filing claims for damages against Investco on the basis that its suit is a "malicious abuse of process".

Investco is attempting to show that Trio's offshoot was standing behind Long Island Petroleum with which it is alleging breach of contract. Investco has contacted a number of Trio's advisers and more recently some of its shareholders.

On legal advice, Trio said its offshoot had no liability.

COMMODITIES AND AGRICULTURE

Supply tightness drives rubber to all-time high

World rubber priceo as measured by the International Natural Ruhber Organisation have hit record levels on the back of ooaring global demand and tight eupplies, according to Inro officials, reports Reuters from Kuala Lumpur.

"Rising world prices pushed tbe Inro five-day average to hit an all-time high of 323.58 Malaysia/Singapore cents [e kilogram] on Monday," said Mr James Hegarty, the organisation's buffer stock manager. The previous high was 323.36 cents on June 6, 1988.

Inro is unable to intervene to bring prices down es it exhausted its 220,000 tonne buffer stock in October while trying to cool the world market. And Malaysian traders expect prices to continue upwards in the coming weeks because of the approach of the wintering season – when tapping is reduced – and growing demand from tyre-makers in the US and Europe.

Mr Hegarty said the present strong world rubber prices would encourage producers to increase output, but added that any increase will not dampen prices. "World demand is outstripping supply and rubber will remain in the higher range this year," he said. "But producers should produce more and take advantage of the strong prices."

Reduced crop comes as a relief to Indian tea industry

By Kunal Bose in Calcutta

India's tea crop is estimated to have fallen by 2.65 per cent in 1994, much to the relief of the country's tea industry. Last year very low prices were received for medium and low grades because of oversupply and poor export offtake.

Industry officials say the early onset of winter restricted the production of tea in Assam and West Bengal in November and December and some tea estates bad deliberately stopped plucking in the first week of December to avoid a repeat of the 4m kg spill-over of low-grade, fibrous tea that got the market off to such a bad start in 1994. As e result, they say, the 1994 output total is likely to be about 738m kg, compared with 758.1m in 1993.

The Consultative Committee of the Plantation Associations says that the gardens in north India should regularly apply a brake on production in December, using that month instead to prune bushes on a large scale so that the production of quality tea can be maximised during the following season.

While production figures for the final two months of 1994 are yet to be released by the Tea Board, the industry officials feel that the north Indian crop in November could not be more than 48m kg, down 10m kg from the same month of 1993. The December crop was around 15m kg, against 28.1m kg in the final month of 1993.

"What, however, must not be lost sight of is that there was an unusual spurt in tea production in the north during November and December 1993," says a Tea Board official. "Unfortunately, much of thet tea was of poor quality." North Indian tea production is estimated to have fallen more than 15m kg to 562m kg in 1994, while output from southern gardens is put at 176m kg, down 3.4m.

At north Indian auction centres, including Calcutta and Guwahati, prices last year were nearly 14 per cent lower than in 1993. At the eouth Indian centres the fall was more than 27 per cent.

Industry officials admit that, except for the few companies which produce only quality tea, profit margins were badly affected during 1994. "The majority of producers in south India will not have money to buy the requisite quantity of nutrients and other inputs in the current season," says one. "This will tell on productivity and also on quality of tea. In the south, there are nearly 40,000 small growers with holdings of less than 8.09 hectares and almost all of them fared badly last year."

The Tea Board says that in the first eight months of the last (December-November) financial year it issued shipment licences for 125.53m kg, compared with 139.81m kg in the same period a year earlier. The setheck in export was almost entirely on account of former Soviet countries, which had placed orders for only 31.81m kg of tea till November, down from 51.67m kg in the same period of the 1993. Iran, a big buyer of Indian tea till 1992, had hardly placed any orders.

Shipment licences issued for the UK, in contrast, were up to 28.01m kg from 24.94m and for Poland to 20.99m kg from 15.66m.

Meanwhile, till November, the Sri Lankan crop was up 15.7m kg to 223.8m kg, while a surge in Kenyan production in November took that country's crop to nearly 186m kg. Kenya may have ended 1994 with a crop of over 205m kg, against 211m kg in 1993, as the weather remained favourable in December. Bangladesh had produced 49.5m kg of tea by the end of November, up from 47.7m kg in the same period of 1993.

MARKET REPORT

General uptrend resumed at the LME

The general uptrend at the London Metal Exchange was resumed yesterday, with copper and aluminium prices notching up fresh peaks for the current bull-market, while nickel came close to its recent high. But late selling and profit-taking hit most contracts.

Aluminium eased substantially, and traders said it was starting to struggle near overhead targets, although copper remained strong.

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	−10,200	to 1,693,200
Aluminium alloy	−100	to 30,320
Copper	+250	to 313,425
Lead	−1,125	to 336,575
Nickel	−432	to 147,890
Zinc	−2,150	to 1,182,750
Tin	−155	to 27,955

Three months delivery COPPER traded up to a high of $3,050 a tonne in the afternoon, when a move through the previous high of $3,032 encouraged short-covering and commission house buying.

The ALUMINIUM price reached a high of $2,075 in early afternoon trading, helped by news of falls in LME and producer stocks, before subsiding on forward sales and profit-taking.

NICKEL prices were bolstered by a 432-tonne fall in LME stocks and talk that some physical shipments from Russia's Norilsk plant might be delayed, which highlighted recent concern over supplies from the former Soviet Union.

London Commodity Exchange COCOA futures prices ended higher and above the psychologically-important £1,000-a-tonne level for nearby delivery positions, but failed to test key resistance levels.

"It was quite a good close and perhaps some will gain confidence," said one trader. "The close above £1,000 on March perhaps means we can test £1,020."

Compiled from Reuters

Giant Kazakh gold deposit up for sale

By Kenneth Gooding, Mining Correspondent

The Vasilkovskoye gold deposit, claimed to be one of the three biggest in the world and containing precious metal worth US$3bn at present prices, is to be put up for sale by tender to foreign investors by the government of Kazakhstan, formerly part of the Soviet Union.

Morgan Grenfell, the UK investment banking arm of Deutsche Bank, said yesterday that several of the world's leading mining companies had already expressed an interest in the project. Morgans will organise the foreign investment tender on behalf of Altynalmas, the organisation responsible for the republic's precious metals and precious stones production.

Mr Abdrakhman Begalinov, Altynalmas president, said last year that Kazakhstan wanted to increase gold output from about 14 tonnes to between 42 and 56 tonnes very quickly to huild reserves to back the country's new currency. He admitted, however, that the country would have difficulty raising funds for such a fast expansion.

Vasilkovskoye is located 17km north-west of Kokshetau in northern Kazekhstan. According to a recent report by Mining Journal Research Services of the UK on behalf of the Kazakh Ministry of Geology, e mine has been under development since 1979 but the project was shut down between 1988 and 1993 because of financial constraints.

The mine is a conventional truck and shovel operation with a designed output of 2.2m tonnes a year of ore. No details of gold content have been given either by MJRS or Morgans, which said the information was being withheld et the request of Altynalmas.

Morgans is co-operating with the Export-Import Bank of Kazakhstan and Brook Hunt, a London-based technical consultancy organisation. An accountancy firm – probably Price Waterhouse – will join the consortium. Mr Martin Kingston of Morgans said the primary role of the advisory team was "to ensure that Kazakhstan derives maximum benefit from the mine's privatisation".

The European Bank for Reconstruction and Development assisted Altynalmas in the selection of its financial adviser and is administering funds – provided from grants by the governments of Japan and Canada – to pay for the present costs of advisory work. The EBRD has identified a number of additional projects in the Kazakh minerals sector for which it is considering providing similar support.

Altynalmas already has a joint venture with the London-quoted Bakyrchik Gold to develop the Bakyrchik mine and another with the Moonstone Group, n Channel Islands-based company, to explore for gold and diamonds in the republic.

Ghana's Ashanti broadens its horizons

By Kenneth Gooding

Ashanti Goldfields of Ghana is on course this year to join the half-dozen companies in the world producing an annual 1m troy ounces of gold and already had set itself the target of being a 2m ounces-a-year producer, said Mr Sam Jonah, the chief executive, yesterday.

This objective could not be met solely by developing its Obuasi mining and processing complex in Ghana so the company would move aggressively into other parts of the world to become an truly international gold miner.

In Africa, where large areas were still virtually unexplored, Ashanti would go exploring. Elsewhere in the world it would seek semi-developed projects, said Mr Jonah, when presenting the company's annual results in London.

He could see good opportunities in republics of the former Soviet Union where Ashanti could bring its technical expertise to bear – at Obuasi it employs deep underground mining and open pit techniques and a full range of processing systems. The company is the biggest user of biological gold processing where bacteria are used to release gold from the ore.

Ashanti is 43 per cent owned by Lonrho, the UK-based conglomerate which has other mining interests and is also active in the former Soviet Union.

But Mr Jonah could see no conflict of interest. "They get 43 per cent of anything we find," he pointed out.

Mr Jonah said that in Ghana and neighbouring countries in West Africa, Ashanti was evaluating projects that could take advantage of the company's logistical and technical base at Obuasi. Further afield, offices had been opened in Eritrea and Ethiopia and close busineso links were being developed in the East African countries.

Last year Ashanti epent US$5m on exploration at Obuasi. This year spending at the complex would be boosted to $15m and a further $15 was earmarked for exploration elsewhere.

Russia's January oil exports may miss target

Russia plans to export 2.1m barrels a day of crude oil this month, up 500,000 b/d from actual December volumes, according to the latest export schedule from state pipeline operator Transneft, reports Reuters. But actual exports may fall well short of this level as administrative delays have already hampered loadings at Black Sea and Baltic ports and a dispute with Ukraine over pipeline transit tariffs have cut deliveries to central Europe.

In the January programme approved by the Russian Ministry of Fuel and Energy on December 29 Transneft anticipates seaborne exports for the month averaging 1.2m b/d.

During December Russia managed to load only 750,000 b/d at Black Sea and Baltic ports. In January loadings bave already been disrupted as a muddle over the payment of export tax on exports for state needs rolled into January from December.

This has led to a growing backlog of ships at the main Russian Black Sea port of Novorossiisk and the Latvian terminal of Ventspils in the Baltic, Russian exporters say.

The programme shows Russia expects to send 650,000 b/d through Novorossiisk, almost 270,000 b/d via Ventspils, 175,000 b/d through the Ukrainian Black Sea port of Odessa and just over 120,000 b/d via Russia's Tuapse on the Black Sea.

Transneft elso anticipates slightly higher volumes of 885,000 b/d along the Friendship pipeline to countries in central Europe and Germany.

But a row with Ukraine over a rise in pipeline tariffs has already resulted in a severe drop in planned deliveries of 400,000 b/d to Hungary, the Czech Republic and Slovakia. Pumping along the Friendship spur to these countries which crosses Ukraine stopped completely for five days from December 31. Oil again ceased flowing on Monday and has not yet resumed, according to central European industry executives. "We've been told that deliveries may resume on Wednesday but we are not sure what will happen," said one.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	2019-20	2041-49
Previous	2032-33	2059-60
High/low	2036	2075/2042
AM Official	2035-36	2065-66
Kerb close		2041-3
Open int.	249,734	
Total daily turnover	45,990	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1935-40	1977-80
Previous	1940-45	1980-83
High/low		1985/1980
AM Official	1935-45	1980-90
Kerb close		1980-90
Open int.	2,566	
Total daily turnover	888	

■ LEAD ($ per tonne)

Close	665.5-66.5	682-83
Previous	663-64	679.5-80.0
High/low		684/678
AM Official	656-66.5	682-83
Kerb close		681-2
Open int.	41,034	
Total daily turnover	7,658	

■ NICKEL ($ per tonne)

Close	9330-40	9490-500
Previous	9180-90	9346-50
High/low		9550/9375
AM Official	9270-80	9430-35
Kerb close		9510-20
Open int.	58,398	
Total daily turnover	14,501	

■ TIN ($ per tonne)

Close	6030-40	6120-30
Previous	6020-30	6110-20
High/low	6075	6200/6100
AM Official	6070-75	6165-70
Kerb close		6090-100
Open int.	21,569	
Total daily turnover	3,954	

■ ZINC, special high grade ($ per tonne)

Close	1144-45	1167-68
Previous	1146-47	1169-70
High/low	1150	1175/1166
AM Official	1150-51	1171-72
Kerb close		1166-7
Open int.	103,915	
Total daily turnover	15,115	

■ COPPER, grade A ($ per tonne)

Close	3037-48	3037-38
Previous	3002-3	2992-93
High/low	3027/3025	3005/3006
AM Official	3026-27	3016-17
Kerb close		3035-6
Open int.	241,269	
Total daily turnover	57,261	

■ LME AM Official £/$ rate: 1.5624
LME Closing £/$ rate: 1.5591

Spot:1.5585 3 mths:1.5582 6 mths:1.5579 9 mths:1.5575

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Jan	141.05	+0.15	141.90	141.00	2,189	253
Feb	140.25	+0.35	140.60	139.80	923	50
Mar	139.30	+0.25	140.50	138.60	30,829	10,968
Apr	138.60	+0.20	-	-	920	18
May	134.30	+0.20	135.50	133.90	5,273	528
Jun	137.85	+0.15	-	-	532	-
Total					51,994	12,272

PRECIOUS METALS

LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	374.50-374.90	
Opening	374.00-374.40	
Morning fix	374.10	239.685
Afternoon fix	374.10	239.547
Day's High	374.80-375.20	
Day's Low	373.50-373.90	
Previous close	372.80-373.20	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.59	6 months	5.82
2 months	4.97	12 months	5.56
3 months	5.25		

Silver Fix	p/troy oz.	US cts equiv.
Spot	299.80	468.25
3 months	304.10	474.90
6 months	309.30	482.85
1 year	321.45	501.50

Gold Coins	$ price	£ equiv.
Krugerrand	374-377	240-243
Maple Leaf	384.80-387.25	
New Sovereign	87-90	56-59

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Jan	374.3	+1.2	-	-	1	-
Feb	375.1	+1.1	375.9	374.2	93,218	25,415
Mar	376.9	+1.1	-	-	222	-
Apr	378.9	+1.1	379.4	377.9	16,180	2,763
Jun	382.6	+1.1	383.2	381.9	24,949	4,786
Aug	387.0	+1.1	387.0	385.9	13,823	95
Total					186,592	33,888

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Jan	406.0	+1.1	407.0	407.0	101	10
Apr	410.6	+1.1	412.5	410.0	18,992	2,044
Jul	414.9	+0.9	417.0	415.0	3,209	21
Oct	419.4	+0.9	-	-	830	1
Jan	423.1	+0.9	427.0	427.8	122	-
Total					23,254	2,076

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Mar	157.85	+1.80	158.25	157.00	6,371	301
Jun	159.10	+1.86	158.75	158.00	881	92
Sep	160.10	+1.80	160.50	159.50	193	50
Dec	161.18	+1.60	-	-	11	-
Total					7,496	443

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

Jan	465.1	-0.4	-	-	-	-
Feb	465.4	-0.5	-	-	1	-
Mar	468.5	-0.5	472.5	463.0	73,473	13,296
May	474.3	-0.4	478.0	469.5	12,887	532
Jul	480.5	-0.4	484.5	475.5	8,030	320
Sep	486.8	-0.4	488.5	486.8	8,596	14
Total					135,798	14,606

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Feb	17.38	-0.02	17.42	17.27	76,096	25,667
Mar	17.34	-0.01	17.40	17.26	67,035	16,439
Apr	17.34	-0.01	17.36	17.28	29,267	5,072
May	17.35	-0.02	17.37	17.33	15,830	2,227
Jun	17.35	-0.03	17.36	17.35	28,510	1,821
Jul	17.36	-0.05	17.43	17.36	13,552	977
Total					367,193	62,223

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Feb	16.14	-0.14	16.28	16.11	78,754	18,136
Mar	16.14	-	16.10	16.04	47,273	14,274
Apr	16.15	+0.03	16.17	16.04	16,420	1,118
May	16.15	+0.03	16.18	16.06	7,869	407
Jun	16.10	-0.04	16.21	16.10	7,456	415
Jul	16.13	-	16.20	16.13	4,753	112
Total					172,948	52,021

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Feb	47.50	-0.35	48.60	47.65	40,674	18,129
Mar	48.15	-0.40	48.70	47.95	28,736	9,390
Apr	48.25	-0.35	48.55	48.05	15,452	2,842
May	48.05	-0.20	48.20	47.90	10,268	1,482
Jun	47.90	-0.40	48.18	47.75	6,931	2,031
Jul	48.00	-0.50	48.30	48.25	7,089	571
Total					129,668	34,237

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	140.75	-2.25	142.00	140.75	31,131	9,371
Feb	144.00	-1.50	144.75	143.50	34,192	9,923
Mar	146.00	-1.25	146.50	145.25	12,181	2,146
Apr	146.00	-1.25	146.75	148.75	5,666	387
May	146.75	-0.75	146.75	146.00	2,410	276
Jun	147.25	-1.00	147.50	146.75	8,276	947
Total					101,694	23,318

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Feb	1.460	+0.006	1.465	1.415	25,944	15,329
Mar	1.465	+0.003	1.465	1.430	20,259	8,660
Apr	1.505	+0.009	1.510	1.470	11,050	1,730
May	1.515	+0.008	1.520	1.480	10,615	1,897
Jun	1.545	+0.015	1.550	1.510	8,653	877
Jul	1.575	+0.017	1.580	1.545	9,744	838
Total					142,125	32,709

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Feb	53.80	-0.10	54.05	53.40	19,984	11,533
Mar	52.90	-0.10	53.10	52.85	11,735	5,839
Apr	55.35	-0.20	56.50	55.25	10,866	3,246
May	54.60	-0.20	54.75	54.55	5,472	954
Jun	54.75	-0.15	54.75	54.70	2,162	575
Jul	54.50	-	54.50	54.50	1,263	84
Total					54,723	22,801

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	107.20	-	107.50	107.20	332	60
Mar	108.55	+0.25	108.65	108.50	1,894	104
May	110.35	+0.25	110.45	110.35	1,905	32
Jul	112.15	+0.25	112.15	112.10	296	20
Sep	97.80	+0.90	97.90	97.75	70	11
Nov	98.95	+0.50	99.15	98.85	1,275	196
Total					5,906	423

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Mar	385/6	+2/4	388/0	383/2	40,151	23,130
May	368/2	+3/0	367/8	364/4	8,443	2,838
Jul	341/0	+1/2	342/6	339/6	16,092	4,263
Sep	346/0	+1/2	347/2	345/4	854	86
Dec	356/4	+2/4	357/4	356/0	341	14
Mar	363/4	+2/4	-	-	10	-
Total					66,904	30,331

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Mar	232/2	-0/4	232/4	231/4	111,897	25,648
May	239/4	-0/2	240/0	238/6	59,043	8,617
Jul	245/0	-	245/4	244/0	53,534	4,816
Sep	248/6	+0/4	249/0	248/0	6,979	703
Dec	252/0	-0/2	232/2	251/4	37,491	3,850
Mar	258/6	+0/2	259/0	258/0	4,035	485
Total					276,191	44,678

■ BARLEY LCE (£ per tonne)

Jan	103.00	-0.50	-	-	116	-
Mar	105.50	-	-	-	287	-
May	107.50	-	-	-	69	-
Sep	96.00	-	-	-	30	-
Nov	98.00	+0.45	-	-	101	-
Jan	98.50	-	-	-	-	-
Total					600	-

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Jan	551/0	+2/6	551/4	547/0	4,569	5,205
Mar	560/0	+2/4	560/4	555/6	57,781	20,348
May	569/2	+2/2	569/4	565/4	25,186	2,852
Jul	575/0	+2/0	575/6	572/0	27,835	4,052
Aug	577/4	+0/4	578/0	575/4	2,617	188
Sep	579/2	-0/4	580/0	577/4	2,045	38
Total					134,577	33,781

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Jan	28.11	-0.32	28.25	27.84	11,304	3,263
Mar	26.81	-0.34	27.00	26.55	44,972	12,483
May	25.90	-0.36	26.05	25.66	21,836	2,200
Jul	25.34	-0.30	25.50	25.16	13,199	2,167
Aug	25.03	-0.25	25.15	24.90	3,824	746
Sep	24.80	-0.16	24.80	24.68	3,519	280
Total					109,783	21,966

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Jan	155.3	+0.5	155.9	154.9	1,949	1,786
Mar	158.9	+0.8	159.4	158.3	40,269	5,008
May	162.2	+0.9	162.7	161.7	19,444	1,400
Jul	166.3	+1.1	166.3	165.3	15,403	1,683
Aug	168.3	+1.2	168.3	167.5	4,209	249
Sep	170.3	+1.0	170.3	169.3	3,115	89
Total					95,457	10,701

■ POTATOES LCE (£/tonne)

Mar	279.8	-	-	-	-	-
Apr	283.8	+4.0	286.9	279.9	1,512	62
May	313.5	-	-	-	7	-
Jun	250.0	-	-	-	-	-
Total					1,310	62

■ FREIGHT (BIFFEX) LCE ($10/index point)

Jan	2080	+20	2085	2080	878	50
Feb	2085	+15	2090	2065	240	48
Mar	2085	+25	2085	2085	173	53
Apr	2036	+36	2036	2000	1,502	109
Jul	1788	+21	1788	1770	440	45
Oct	1815	+27	1815	1800	242	80
Total					3,516	385

	Close	Prev
BFI	2016	1994

Minor Metals
European free market, from Metal Bulletin, $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). Antimony: 99.6%, $ per tonne, 5,300-5,400 (5,500-5,650). Bismuth: min. 99.99%, tonne lots 3.55-3.85. Cadmium: min. 99.5%, 160-170 (170-180) cents a pound. Cobalt: MB free market, 99.5%, 29.50-30.25 (28.30-29.00); 99.3%, 27.00-27.70 (26.50-27.00). Mercury: min. 99.99%, $ per 76 lb flask, 125-145 (125-140). Molybdenum: drummed molybdic oxide, 15.50-16.00 (15.00-15.75). Selenium: min 99.5%, 2.45-4.50. Tungsten ore: standard min. 65%, $ per tonne unit (10kg) WO_3, cif, 47-60 (50-60). Vanadium: min. 98%, cif, 3.25-3.75 (3.00-3.50). Uranium: Nuexco exchange value, 7.20 (7.15).

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	1004	+12	1005	984	39,247	2,309
May	1006	+14	1006	985	17,873	2,143
Jul	1015	+13	1015	996	8,059	424
Sep	1023	+10	1024	1005	14,811	186
Dec	1033	+9	1033	1019	11,767	90
Mar	1046	+11	1046	1030	10,575	200
Total					108,268	8,119

■ COCOA CSCE (10 tonnes; $/tonnes)

Mar	1345	+25	1350	1322	36,482	5,455
May	1369	+27	1373	1342	14,424	1,498
Jul	1389	+27	1389	1372	7,078	211
Sep	1412	+27	1412	1384	2,398	64
Dec	1435	+20	1435	1407	4,541	15
Mar	1460	+20	1460	1446	6,771	-
Total					78,482	7,389

■ COCOA (ICCO) (SDR's/tonne)

Jan 9	Price	Prev. day
Daily	995.43	1013.97

■ COFFEE LCE ($/tonne)

Jan	2741	-77	2755	2732	538	124
Mar	2753	-90	2790	2750	14,885	2,664
May	2737	-80	2765	2725	5,981	1,329
Jul	2728	-75	2743	2720	2,256	308
Sep	2742	-79	2760	2735	2,802	284
Nov	2755	-80	2758	2755	588	33
Total					27,114	4,740

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

Mar	169.00	-0.75	170.80	168.70	15,885	5,552
May	170.30	-0.20	171.75	168.80	8,965	748
Jul	170.65	-0.85	172.00	168.50	3,742	236
Sep	170.50	-0.50	172.00	170.00	2,231	282
Dec	170.25	+0.25	172.00	169.00	2,899	145
Mar	169.50	-5.50	170.50	169.50	273	39
Total					34,036	6,978

■ COFFEE (ICO) (US cents/pound)

Jan 9	Price	Prev. day
Comp. daily	153.38	155.89
15 day average	151.60	150.48

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

Mar	15.63	+0.05	-	-	480	-
May	15.79	+0.04	-	-	860	-
Jul	15.30	-	-	-	300	-
Oct	12.50	-	-	-	-	-
Total					1,640	-

■ WHITE SUGAR LCE ($/tonne)

Mar	421.80	+1.50	422.00	417.50	13,109	438
May	416.80	+1.50	419.40	415.50	4,899	336
Aug	403.30	+2.00	404.00	399.60	4,590	191
Oct	373.00	+1.50	373.70	370.20	1,768	49
Dec	366.00	+1.50	366.00	365.00	139	10
May	361.20	+1.20	-	-	254	-
Total					24,816	1,022

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

Mar	15.42	-0.03	15.57	15.29	94,283	11,131
May	15.51	+0.02	15.62	15.40	41,752	4,063
Jul	15.02	+0.04	15.08	14.91	25,511	1,396
Oct	14.00	-0.01	14.08	13.94	28,290	868
Mar	13.30	+0.01	13.35	13.28	7,280	390
May	13.17	+0.05	13.20	13.17	2,149	21
Total					201,329	18,023

■ COTTON NYCE (50,000lbs; cents/lbs)

Mar	89.50	+0.40	90.20	89.20	30,595	3,909
May	89.75	+0.70	90.25	88.30	14,777	2,784
Jul	89.00	+0.85	89.35	88.50	9,852	1,030
Oct	79.50	+0.05	79.90	79.50	2,703	167
Dec	74.80	+0.05	74.98	74.61	11,294	806
Mar	75.80	+0.55	75.90	75.63	199	2
Total					69,231	8,679

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Jan	97.50	-2.50	100.70	97.25	361	419
Mar	101.50	-2.25	104.75	101.00	17,510	4,795
May	105.18	-4.05	108.70	104.55	2,551	292
Jul	108.60	-3.80	112.40	108.50	1,034	46
Sep	112.10	-3.30	115.00	113.75	2,527	20
Nov	112.05	-0.55	-	-	1,916	10
Total					26,638	5,584

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Jan 10	Jan 9	month ago	year ago
2258.2	2257.5	2151.7	1889.0

■ CRB Futures (Base: 1967=100)

Jan 9	Jan 6	month ago	year ago
233.65	235.24	230.02	225.26

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	73.025	-0.350	73.625	73.000	30,441	7,074
Apr	73.700	-0.175	74.025	73.575	29,542	4,094
Jun	67.725	-0.100	67.975	67.600	9,663	2,721
Aug	65.200	-0.125	65.500	65.200	4,281	607
Oct	66.000	-	66.125	65.800	528	46
Dec	66.950	+0.025	67.200	66.850	192	9
Total					76,787	14,987

■ LIVE HOGS CME (40,000lbs; cents/lbs)

Feb	38.925	+1.225	39.200	37.750	11,646	5,052
Apr	39.750	+0.725	39.900	39.050	11,727	2,284
Jun	44.875	+0.475	44.950	44.450	6,457	577
Aug	44.325	+0.250	44.375	44.000	1,799	195
Oct	42.200	+0.300	42.350	41.925	1,677	87
Dec	43.150	+0.200	43.200	42.850	550	34
Total					35,813	8,359

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Feb	42.550	+1.800	42.600	41.050	6,488	1,833
Mar	42.875	+1.625	42.950	41.550	1,935	427
May	43.725	+1.500	43.750	42.500	609	76
Jul	44.650	+1.050	44.650	43.500	789	59
Aug	42.625	+1.325	43.250	42.100	256	34
Feb	51.000	+1.000	51.000	50.300	33	5
Total					10,110	2,434

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME

	Mar	Jul	Mar	Jul
1900	179	207	30	100
2000	114	155	64	146
2100	67	114	115	202

■ COPPER (Grade A) LME

	Mar	Jul	Mar	Jul
2900	160	95	40	173
3000	99	-	79	-
3100	56	-	135	-

■ COFFEE LCE

	Mar	May	Mar	May
2600	219	286	66	149
2650	188	258	85	171
2700	159	233	106	196

■ COCOA LCE

	Mar	May	Mar	May
925	85	102	5	21
950	65	86	11	30
975	47	70	16	39

■ BRENT CRUDE IPE

	Apr	Jul	Apr	Jul
1600	63	54	49	69
1650	42	56	76	96
1700	28	49	111	121

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Feb)

		+or-
Dubai	$15.80-5.84u	-0.085
Brent Blend (dated)	$16.95-5.97	-0.140
Brent Blend (Feb)	$16.20-6.22	-0.140
W.T.I. (1pm est)	$17.38-7.40u	-0.125

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$164-166	-3
Gas Oil	$146-147	-1.5
Heavy Fuel Oil	$110-112	
Naphtha	$157-160	-1
Jet fuel	$160-164	-2.5
Diesel	$150-151	-2

Petroleum Argus. Tel. London (071) 359 8792

■ OTHER

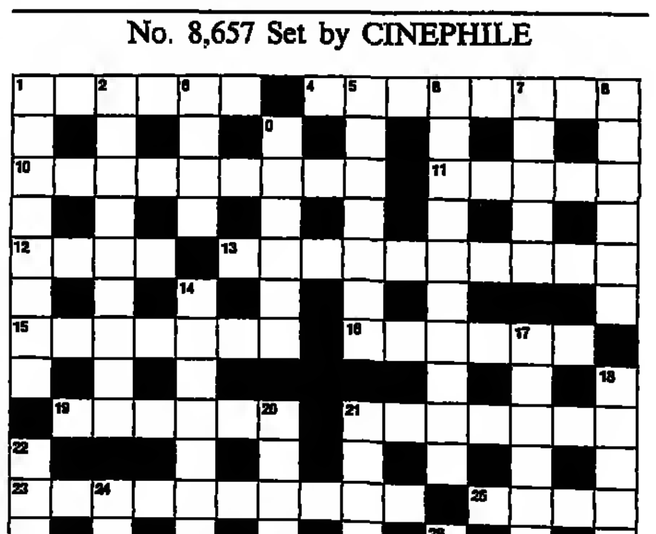
Gold (per troy oz)♣	$374.70	+1.70
Silver (per troy oz)♣	469.5c	
Platinum (per troy oz.)	$408.50	+3.50
Palladium (per troy oz.)	$154.90	+1.15
Copper (US prod.)	145.0c	+3.0
Lead (US prod.)	41.50c	
Tin (Kuala Lumpur)	15.22m	+0.09
Tin (New York)	281.5c	-2.0
Cattle (live weight)†	122.11p	+1.17*
Sheep (live weight)†♠	116.41p	-2.89*
Pigs (live weight)	77.46p	-3.30*
Lon. day sugar (raw)	$372.5	-5.5
Lon. day sugar (wte)	$420.5	-6.0
Tate & Lyle export	£354.0	-5.0
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	£134.5	
Wheat (US Dark North)	£165.0	
Rubber (Feb)♥	111.00p	
Rubber (Mar)♥	111.50p	
Rubber (KL RSS No1 Jul)	406.0m	+3.5
Coconut Oil (Phil)§	$600.0y	-20.0
Palm Oil (Malay.)§	$655.0u	-10.0
Copra (Phil)§	$400.0q	-12.0
Soyabeans (US)	£166.0	
Cotton Outlook'A' index	93.50c	+1.05
Wooltops (64s Super)	478p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Jan/Feb. u Feb. q Jan/Mar ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week † Prices are for previous day.

JOTTER PAD

CROSSWORD

No. 8,657 Set by CINEPHILE



F has the same meaning throughout

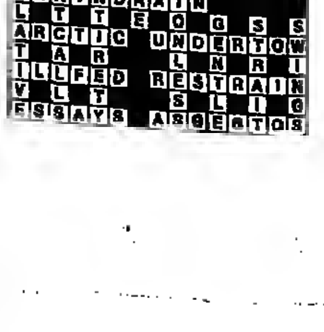
ACROSS

1 F loaves in remote country (6)
4 I am a support to the Queen, which is wroog (8)
10 F people who add gloss to ships' lore, possibly (9)
11 F is "pain" – or money (5)
12 Man on line and list (4)
13 Bergsonian view, initially; it's reodered in sloping type (10)
15 Officer, e marked man, fit to be included (7)
16 Spanish explorer composing ode about drunkard (2,4)
19 Weep away, but you have to cancel (3,3)
21 Insect with legs as target wben F (7)
23 F statesman of stature to finish about year 1 (10)
25 F ships' shade (4)
27 Health is one-sided when F (5)
28 At-home affair with cups and saucers from formerly F region (9)
29 Sequel to getting up, F for salad (8)
30 Blurt out about article that's beastly (6)

DOWN

1 Space ship heartlessly distorted in Greek poetry (8)
2 I shall moderate my bad mood (3-6)
3 A light touch, not so light if F (4)
5 Body in mire is hot stuff, maybe F (7)
6 Awful stink follows minister with fur (6,4)
7 Approval, perhaps, about the F for their hair style (5)
8 Contract relating to Mussolini (6)
9 See 20
14 Drum girls make jet set roam (10)
17 Hake's off, being surrounded by cootamination: don't wait for it to be spelled out (4,1,4)
18 Corsets are in bad shape: this will catch more wind (8)
20, 9 F body, eg if I no longer may reveal it (7,6)
21 Land of American adaptation, partly F (6)
22 Said to be fixed (6)
24 Go without warrant if F (5)
26 Southern vehicle left mark (4)

Solution 8,656



LONDON STOCK EXCHANGE

MARKET REPORT

Shares recover early losses towards the close

By Terry Byland,
UK Stock Market Editor

A London stock market still clearly unsure of itself was rescued from early weakness yesterday by a combination of international factors and the favourable response to a batch of UK corporate developments. Although trading volume remained unimpressive, the FT-SE 100-share Index recovered a midsession loss of more than 17 points to finish the day a net 4.6 higher at 3,060.4.

The turning point came after Wall Street opened firmly on the back of a 0.2 per cent gain in US producer prices in December. The figure was much as expected but, with a setback in Mexican and some other Latin American markets again promoting US stocks as safe haven securities, the Dow Jones Industrial Average showed an advance of around 30 points in UK trading hours.

The first half of the session left London to drift lower in line with other European markets, to touch a low for the day of 3,038.4. But a late surge in German bonds, together with the early rise on the Dow, helped London to recover. The broader-based FT-SE Mid 250 Index shed 5.3 to 3,471.8. Seaq-reported trading volume was still mediocre, although yesterday's share total of 529.9m compared with 415.1m in the previous session. Turnovers have remained restrained in London since the market returned from the Christmas holiday.

In spite of the general turbulence in foreign exchange markets as the Spanish and Mexican currencies came under pressure, most of London's blue chip stocks performed well. Reuters was a weak feature, but this was ascribed to uncertainties over the outlook for the financial securities industry.

S.G. Warburg improved as the market took the rule-of-thumb view that the firm's withdrawal from Eurobond trading will stem losses, cut costs and free capital for other areas. But the wider implications of Warburg's withdrawal from an important area of securities business which it effectively founded was not lost on the market. "If Warburg cannot make money in Eurobonds, some of the others had better watch out," was the comment from the dealing rooms.

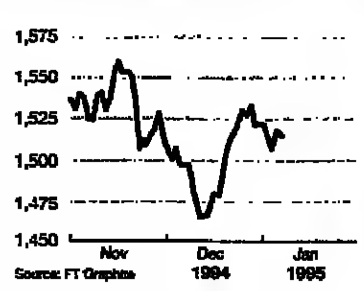
However, by the end of the session analysts were upgrading their profit projections for Warburg and the shares were well bought. Confirmation that BT had set up a joint company with Viag was seen as a strong move by BT to enter the German telecommunications market when it is privatised early next year; this market is the most potentially lucrative of the markets in Europe and BT's move found ready support in the UK stock market.

But shares in Saatchi & Saatchi, the troubled advertising group which this week lost several directors, remained out of favour. Grand Metropolitan rallied as the market awaited further news on the £1.7bn bid for Pet, of the US. There was no recovery across the broader range of retail and food stocks as investors continued to back away from sectors at risk to further increases in interest rates.

Some concern was expressed over the rise in core goods prices within the producer price statistics from the US, but such considerations were largely brushed aside when Wall Street began to move higher. The London market is still trading at a substantial differential against the Dow, and UK traders expect this factor to boost their blue chip stocks if markets prove able to withstand the pressures of any rise in US interest rates.

However, it was clear last night that the renewed upsets in Latin American markets were a significant prop for Wall Street. There was some uncertainty as to whether Latin American factors alone could continue to sustain European markets at a time when they are clearly uncertain as to the near term outlook for global economies and interest rates.

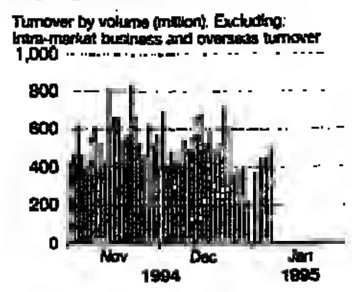
FT-SE-A All-Share index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: Intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3060.4	+4.6	FT Ordinary index	2353.2	+5.2
FT-SE Mid 250	3471.8	-5.3	FT-SE-A Non Fins p/e	17.88	(17.87)
FT-SE-A 350	1532.2	+1.2	FT-SE 100 Fut Mar	3089.0	+18.0
FT-SE-A All-Share	1519.56	+0.97	10 yr Gilt yield	8.80	(8.80)
FT-SE-A All-Share yield	4.02	(4.02)	Long gilt/equity yld ratio:	2.21	(2.21)

Best performing sectors

1 Telecommunications .... +1.5
2 Electronic & Elec .... +1.4
3 Sprits Wines & Ciders .... +0.8
4 Utilities .... +0.7
5 Chemicals .... +0.6

Worst performing sectors

1 Extractive Inds .... -1.4
2 Media .... -0.9
3 Building Matls .... -0.8
4 Retailers, General .... -0.6
5 Engineering .... -0.6

Market news hits Reuters

International news and electronic dealing group Reuters Holdings fell sharply yesterday on worries over contraction in the securities industry.

Investors sold heavily following news that S.G. Warburg was closing its Eurobond division and sacking around 4 per cent of its workforce. The stock slid 13 to 431p, making a fall of around 10 per cent since the beginning of the year. Turnover was unusually high at 8.3m shares.

Dealers have also been concerned about the current crisis in the Mexican economy and feel that it could mark the turning point for emerging markets.

However, analysts who focus on Reuters did not appear to be reducing their forecasts. Mr Alastair Smellie of Lehman Brothers said the concern over contraction was overdone and merely a sign of negative sentiment. "There is not a single product area where their exposure is such that it would have a significant impact on the bottom line," he said.

Warburg erratic

News that S.G. Warburg was pulling out of Eurobonds revitalised the debate raging in the banking sector over the future of the troubled securities house.

Consequently the shares swung wildly, opening 20 higher and then dropping back in spite of the general market rally to close only 9 better at 683p.

Credit Lyonnais Laing believes the move is a step in the right direction and remains a buyer of the stock. The house has raised its forecast for the year to March 1996 by £46m to £278m. However, UBS was a seller, arguing that if the bid premium was removed tha shares were fairly valued at around 600p. It believes Warburg is unattractive as a takeover target without its Mercury Asset Management investment arm, which is currently unwilling to consider an offer.

Saatchi still weak

Attempts by Saatchi & Saatchi to staunch the confidence ebbing from the company failed to prop up the shares, which hit 105p at one stage and closed 12 off at 112p, its lowest finish for 2¼ years. The group announced board replacements following the senior resignations on Monday, but the market was unconvinced.

James Capel was advising a trading sell on the shares in spite of the recent falls. The house believes the rating is still not sufficiently attractive and worries remain over some of the group's key accounts.

GEC stood out among electricals, appreciating 7 to 289p in 6.5m turnover. Elsewhere, a buy recommendation from BZW helped to lift Delta 8 to 468p and took some of the shine out of rival cables group BICC, which declined 4 to 345p in 1.7m turnover.

News of the link-up with German industrial and utilities giant Viag pushed BT to the top of the Footsie activity charts for the third session in a row. The shares put on a further 9 at 402p in 17m turnover, for an advance of more than 5 per cent over the past three trading sessions.

Once again switching out of British Gas was said to be a factor, with at least two top houses advising clients to sell Gas and buy BT on the back of the telecom group's stronger estimated dividend growth and yield cover, which at 1.8 times is some 50 per cent fatter than at Gas. Having trailed by 3 for most of the day, Gas closed only slightly off at 307½p in 8.8m turnover.

Analysts viewed the German joint venture as very positive. They were impressed by the size (37.5 per cent) of BT's stake in the venture plus Viag's forecast of Germany's telecoms market growing to almost £35bn by the time its is deregulated at the start of 1998.

Food and drinks giant Grand Metropolitan was once again a busy trade as the market celebrated its £1.7bn acquisition of Pet, the US foods company, that was announced on Monday.

Turnover rose to a hefty 10m, exceeding Monday's heavy total, and the shares moved 4 ahead to 382p.

Else-where in the drinks sector, a positive trading statement from drinks group Whitbread failed to excite the market and the shares closed a penny off at 557p. Hopes of a continuing recovery in UK hotels were behind the advance in Vaux Group where the shares added 2 to 236p. Spirits group Allied Domecq shook off recent worries over the devaluation of the Mexican Peso and the shares put on 9 to 545 in favourable trade of 2.2m. The company derives around 5 per cent of trading profits from Mexico.

International hotels group Forte gained 4 to 247½p, boosted by reports that French group Sodexho was in talks to acquire Gardner Merchant, the contract caterer in which Forte has a 24 per cent stake.

Rumours suggested that Sodexho, whose shares on the Paris Market were suspended yesterday, was about to make an offer for Gardner of around £750m and analysts suggested that a sale at such a price was likely to earn Forte around £180m.

There was good demand for National Power as a marketing campaign for the sale of the government's 40 per cent stake in the two UK electricity generators got under way. Shares in National Power gained 6 to 486p, while those in PowerGen hardened 3 to 532p.

British Aerospace were held back by worries over the group's alleged involvement in electronic baton sales to the Middle East, the subject of Channel Four programme to be screened today. The shares dipped 4 to 432p.

Diversified industrials were brimful of features with heavy turnover in Hanson which closed 2¾ off at 239¼p.

Lonrho hardened a fraction to 158¼p ahead of tomorrow's full year results.

The early sluggishness of the market was reflected in the Building sector. There was some buying of Redland at first but this petered out and the stock closed down 10 at 458p.

In the chemicals sector, ICI's European sales seem to have benefited from the strong DM. ICI's share price picked up 7 to 751p. Traded volume of this stock was the highest in the sector yesterday, at 3.1m. BOC, which has also been rising fairly steadily, rose 10 to 725p yesterday.

Merchant bank Hambros shed 5 to 247p after a line of 1.7m shares was crossed at 240p.

Mining group RTZ fell 13 to 786p as Nomura turned seller in reaction to the recent pressure on copper prices.

Pict Petroleum jumped 31 to 188p after Premier Consolidated made a recommended share offer for the group. Premier, down a penny at 25p is offering 31 new shares for every four Pict shares.

MARKET REPORTERS:
Peter John, Joel Kibazo,
Jeffrey Brown,
Natasha Giannousi.

■ Other statistics, Page 20

NEW HIGHS AND LOWS FOR 1994/95

NEW HIGHS (58).
BREWERIES (2) Regent Inns, Wetherspoon (JD), BUILDING & CNSTRN (1) Brandon Hire, DISTRIBUTORS (1) Finelist, DIVERSIFIED INDLS (1) Stratagem, ELECTRNC & ELECT EQUP (3) Hewlett-Packard, Nokia Prf., TLG, ENGINEERING (2) ASW, Lincat, ENG. VEHICLES (1) Automotive Precision, EXTRACTIVE INDS (3) Angloveal, Kenor, Rand Mines, FOOD PRODUCERS (2) Barr (AG), Robert Wiseman, INVESTMENT TRUSTS (9) LEISURE & HOTELS (2) Northern, Do Cnv. 96/01, OIL EXPLORATION & PROD (1) Pict, OTHER SERVS & BUSNS (2) Greenway, Waste Recycling, PHARMACEUTICALS (2) SmithKline Beecham A, Do Equity Units, WATER (1) South Staffs, SOUTH AFRICANS (1) Gold Fields Prop.

NEW LOWS (117).
GILTS (9) OTHER FIXED INTEREST (1) Ireland Cap. 8½% Ln. 2010, BUILDING & CNSTRN (2) AMEC 6.5p Prf., Utility Cable, BLDG MATLS & MCHTS (3) Lafarge Coppee, Lilleshall, Ramus, DISTRIBUTORS (4) Evans Halshaw, ISA Intl., Parry, Wholesale Fittings, ELECTRNC & ELECT EQUP (1) Kenwood Appliances, ENGINEERING (3) Hill & Smith, ML, Wagon Ind. 7.25p Prf., ENG. VEHICLES (1) Motor World, EXTRACTIVE INDS (7) Bakyrchik, Blyvoor, Buffels, Emperor, Hartebeest, RTZ, St. Barbara, FOOD PRODUCERS (1) Borthwicks, INSURANCE (1) Lloyd Thompson, INVESTMENT TRUSTS (53) INVESTMENT COMPANIES (2) Inv. Trust of Guernsey, Latin American Extra Yield, LEISURE & HOTELS (1) Magnolia, MEDIA (2) Caledonian Media Comms., Saatchi, OTHER FINANCIAL (5) First Natl. Finance, Do 7pc Prf., London Finance & Invs., Secure Trust, Swire Pacific A, OTHER SERVS & BUSNS (1) Porth, PAPER, PACKG & PRNTG (1) Britton, PROPERTY (9) Anglo St. James, Burford, Davies (DY), Debenham Tewson & Chinnocks, Frogmore, Hambro Countrywide, McKay Secs., Molyneux, Mucklow (A&J), RETAILERS, GENERAL (1) Pentos, SUPPORT SERVS (3) Johnson Cleaners, McDonnell Info., Spargo, TRANSPORT (1) Mayne Nickless, CANADIANS (1) American Barrick.

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures ended higher following a flurry of buying towards the close which created what traders described as severely squeezed conditions, writes Jeffrey Brown.

The FT-SE 100 March contract closed pit trading at 3,086, up 15. The premium to the cash market was 27, or soma 11 points above fair value. Although Wall Street was showing clear strength, dealers said the trading squeeze created slightly false price levels.

The day had begun sourly with the March contract some 25 points down from Monday's close. Prices picked up as the day progressed but business was nominal, with tha morning session producing little more than 4,000 contracts.

By 2.30pm the mood began to changa, helped by early strength on Wall Street. In the final hour the arbitrageurs moved into action, and this was mostly responsible for spinning round tha cash market.

Minus 13 points at 3pm, cash equities wera plus 3.3 when pit trading came to an end, with 10,620 lots dealt, against not quite 8,000 on Monday.

With Wall Street extending its gains to more than 30 points, March added a coupla of ticks in late screen-based trading and volume was pushed close to 12,000 contracts.

Option business was also more buoyant, improving to 33,167 lots from Monday's 24,491. FT-SE and Euro FT-SE trading accounted for 13,500 lots. Eight individual options all topped 1,000 lots.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3062.0	3086.0	+15.0	3090.0	3046.0	11944	55358
Jun	3064.0	3098.5	+14.0	3064.0	3064.0	201	3442
Sep	3090.0	3123.0	+16.0	3089.0	3089.0	20	0

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		3500.0	+5.0			0	3965

■ FT-SE 100 INDEX OPTION (LIFFE) (*3436) £10 per full index point

	2900 C	2900 P	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P
Jan	177½	1½	128	4	84	8	45½	22½	18	48½	5½	81	1½	141	1	191
Feb	200	12½	158	21½	121	35	80	51½	56½	79½	35½	105	21	144½	11	181
Mar	213½	28	175½	39½	137½	53	108½	73	77½	105	56½	124½	38½	158½	26	197½
Apr	232	47	195½	60½	162½	77	133	97	104½	120	83	151½	59½	181½	42½	212
Jun	258½	64			190½	97½			135	141			90½	197½		

Calls 5,232 Puts 4,478

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2925 C	2925 P	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P	3275 C	3275 P
Jan	151½	1½	104½	4½	63	13	31	31	8½	60½	3½	103	1½	150½	1	200½
Feb	175	14	135½	24½	100½	38	70½	58½	46	84	28½	115½	18	153	9	195½
Mar	189½	30	152½	24½	119½	38	90½	80	66½	105	46½	134½	31	168½	19½	206½
Jun	241½	72½			178½	107			125½	151½			83	206		
Sep	283	72½			222½	128½			170	172			128	223½		

Calls 1,187 Puts 2,417 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

FT - SE Actuaries Share Indices — The UK Series

	Jan 10	Day's chge%	Jan 9	Jan 6	Jan 5	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3060.4	+0.2	3055.8	3065.0	3032.3	3413.8	4.21	7.26	16.27	1.93	1169.18
FT-SE Mid 250	3471.8	-0.2	3477.1	3479.6	3473.3	3889.2	3.64	6.23	18.10	2.61	1309.05
FT-SE Mid 250 ex Inv Trusts	3481.1	-0.1	3485.9	3487.1	3478.0	3885.5	3.78	3.78	17.85	2.62	1310.68
FT-SE-A 350	1532.2	+0.1	1531.0	1534.6	1521.6	1711.0	4.08	7.02	16.85	1.01	1167.91
FT-SE-A 350 Higher Yield	1565.6	+0.4	1559.0	1561.3	1544.5	1730.0	5.08	7.47	16.00	1.45	1005.73
FT-SE-A 350 Lower Yield	1499.3	-0.2	1502.7	1507.9	1498.2	1649.0	3.06	6.58	17.63	0.58	988.68
FT-SE SmallCap	1741.86	-0.1	1744.08	1745.68	1745.58	1935.81	3.31	6.31	19.42	0.81	1362.12
FT-SE SmallCap ex Inv Trusts	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A ALL-SHARE	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ FT-SE Actuaries All-Share

	Jan 10	Day's chge%	Jan 9	Jan 6	Jan 5	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Mid 250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A 350	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	698	336	+1
ASDA Group†	6,000	66½	+¼
Abbey National†	2,400	432	-½
Albert Fisher	1,400	45	-2
Allied Domecq†	2,000	545	+9
Anglian Water	455	499	
Argos	40	344	-1
Argyll Group†	2,200	257	-1
[illegible]	[illegible]	[illegible]	[illegible]

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul	Option		Calls Feb	Calls May	Calls Aug	Puts Feb	Puts May	Puts Aug
Allied Domecq	500	46½	68	66	-	4½	10½	Hanson	220	21	24	27	1	3½	7
(*546)	550	4½	24½	34½	8½	20	29½	(*239)	240	6	11½	15½	6½	11½	15½
Argyll	240	18	26	30	-	3½	6	Lasmo	140	6½	12	15½	3½	6½	8
(*257)	260	3	14	20	5½	11½	18½	(*142)	160	½	4½	7	18	20½	21
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT GOLD MINES INDEX

	[illegible]
[illegible]	[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	59	11
Other Fixed Interest	1	3	10
Mineral Extraction	42	72	81
General Manufacturers	109	132	387
Consumer Goods	40	39	105
Services	73	84	335
Utilities	15	16	6
Financials	54	105	204
Investment Trusts	34	127	259
Others	21	65	31
Totals	389	704	1472

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	January 6	Expiry	April 6
Last Dealings	January 20	Settlement	April 24

Calls: CRP Leisure, Kunick, Lonrho, Premier Cons, Regent Corp, SmithKline Beecham A, Tullow Oil. Puts: Tullow Oil.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994/95 High	1994/95 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994/95 High	1994/95 Low	Stock	Closing price p	+or-
37	Nil	3/1	5pm	2pm	OMI	2pm	
440	Nil	22/2	68pm	48pm	Powell Duffryn	68pm	+12
25	Nil	10/2	¾pm	½pm	Trio	½pm	-¼
7½	Nil	3/2	1½pm	½pm	Verity	¾pm	
90	Nil	9/2	15pm	4pm	Walker G'bank	6pm	-1

FINANCIAL TIMES EQUITY INDICES

	Jan 10	Jan 9	Jan 6	Jan 5	Jan 4	Yr ago	*High	*Low
Ordinary Share	2353.2	2348.0	2357.2	2331.9	2347.3	2604.8	2713.6	2240.6
Ord. div. yield	4.44	4.46	4.44	4.48	4.45	3.57	4.61	3.43
Earn. yld. % full	6.52	6.54	6.51	6.58	6.53	4.05	6.75	3.62
P/E ratio net	17.75	17.69	17.76	17.59	17.71	31.16	33.43	10.94
P/E ratio nil	17.10	17.14	17.20	17.04	17.15	28.61	30.80	18.67

*For 1994/5. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2343.0	2339.3	2347.3	2346.0	2341.3	2339.7	2339.8	2340.2	2350.8	2353.3	2337.6

	Jan 10	Jan 9	Jan 6	Jan 5	Jan 4	Yr ago
SEAQ bargains	16,621	19,228	16,073	17,098	16,902	37,838
Equity turnover (£m)†	-	1003.0	1148.0	1047.4	1033.0	2062.5
Equity bargains†	-	28,181	25,629	23,944	23,676	45,657
Shares traded (mil)†	-	444.2	503.1	454.8	450.6	813.4

†Excluding intra-market business and overseas turnover.

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	+ or -	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cm 2nd Prf		95½	—	117	88¼	12.1	10.4	–
8¼pc Non-Cum Prf		116¼	—	137½	107	48.5	10.5	–
Cater Allen		449xd	+4	*630¼	443	146.4	7.0	9.3
Close Bros		225	+2	*286½	203	214.2	4.2	18.2
Gerrard & Nat		496	+6	516	385	238.7	6.2	14.0
Hambros		247	-5	473	209	436.0	1.6	15.2
7½pc Cv Pf		108	+1½	191	99½	146.4	8.6	–
Joseph (L)		398	—	443	398	20.9	5.5	11.8
King & Shaxson		103xd	—	170	103	17.9	10.9	10.2
Kleinwort Benson		533½	-7½	683	424	711.7	4.5	9.4
Rea Bros		68	—	70	55	26.0	1.6	10.6
Schroders		1440	+2	1574	1050	1,440	1.5	13.2
N/V		1300	-2	1458	1043	379.3	1.8	10.8
Singer & Fried		65½	-½	114	75	166.0	4.6	11.8
Union		92	—	*199	87	24.5	6.1	8.5
Warburg (SG)		683	+9	1012	589	1,502	4.0	12.5
Wintrust		215	—	390	203	18.2	9.0	14.4

BANKS, RETAIL

[illegible]

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

BUILDING MATS. & MERCHANTS - Cont.

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

ENGINEERING, VEHICLES - Cont.

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

INVESTMENT COMPANIES - Cont.

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL EXPLORATION & PRODUCTION - Cont.

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	1994/95 high	low	Mkt CapCm	Yld Gr's	P/E
Anglo Am Ind		£33	—	£34	£13½	2,152	2.2	24.2
Barlow	♣	£5⅜xd	-⅛	£5¾	£3⅛	1,092	1.9	19.3
Gold Flds Prop R		162xa	+16	162	75	15.5	6.2	Φ
NK Props		85	—	90	85	3.42	14.3	-
SASOL	♥	520	-11	682	280	2,999	2.7	-
SA Brews	†	£14⅜	-⅛	£16¼	£10	4,085	2.0	22.7
Tiger Oats		789xd	—	838	538	1,196	2.0	18.3
Tongaat-Hulett	†h	704	—	*725	356¼	641.0	2.1	20.2

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised 0 dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(V) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✤ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Rule 4.2(a) UK & Irish incorporated non-listed companies.
- ‡ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ✦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
r Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
$ Figures based on IIMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualise yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

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FT Cityline

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FT MANAGED FUNDS SERVICE

• FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 71) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

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CURRENCIES AND MONEY

MARKETS REPORT

D-Mark buoyed by weak peseta, lira

■ The strong D-Mark surged in Europe as political uncertainty in Spain and Italy and budget worries in Sweden drove investors to the safe haven of the German currency, *writes Motoko Rich*.

Fresh allegations of political scandal in Spain fuelled nervousness and the peseta suffered in early trading amid rumours it would be forced to leave the Exchange Rate Mechanism. The peseta fell to a new low of Pta87.85 against the D-Mark, and closed in London at Pta87.09, from Pta86.17.

The lira came under heavy pressure as Mr Oscar Scalfaro, Italian president, resumed talks and Mr Silvio Berlusconi, out-going prime minister, demanded either a fresh mandate to govern or snap elections. The lira fell to a record low of L1059.60 against the D-Mark, and closed in London at L1059, from L1049.

The Swedish krona dipped sharply following a budget which analysts said was too little, too late. It fell from Skr4.841 to Skr4.885 against the D-Mark during London trading and probed as low as Skr4.9150 against the D-Mark.

The US dollar moved erratically against both the D-Mark and the yen as the Canadian dollar moved to a nine-year low, breaching the key C$1.41 level against the US dollar.

■ Analysts were talking of a mini-crisis in European currencies as Mr Pedro Solbes, Spain's economy minister, denied rumours that the peseta would be forced to leave the ERM. Mr Ken Wattret, international economist at HSBC Greenwell, said: "Talk that the peseta is near its floor in the ERM - Pta91.9 against the D-Mark - is premature."

■ **Pound in New York**

Jan 10	Latest	Prev. close
£ spot	1.5580	1.5635
1 mth	1.5577	1.5633
3 mth	1.5575	1.5631
1 yr	1.5560	1.5618

Mr Paul Chertkow, head of global currency research at UBS, said the markets believed that corruption allegations against Mr Felipe Gonzalez, the Spanish prime minister, would prevent him from dealing with the budget deficit.

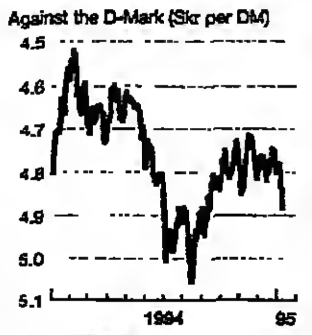
He said similar fears were weakening the lira, as the absence of a government in Italy prevented the country from coping with its structural budget deficit problems.

Talk of a rise in short-term Italian interest rates fuelled fears that Italy would soon raise official rates. Analysts believe the markets will follow the example set in Spain and drive the lira down further if rates increase.

Mr Chertkow said the markets were unimpressed by the Swedish budget because it did not deviate from or add to expectations. The finance ministry unveiled a budget for 1995-96 with spending cuts totalling SKr21.7bn, to take effect in 1998 and said the budget measures should strengthen the country's finances by SKr114.2bn in 1998.

Swedish Krona

Against the D-Mark (Skr per DM)



Source: FT Graphite

Hit by crisis in neighbouring Spain, the Bank of Portugal intervened on behalf of the escudo, which fell to Es103.4 from Es102.9.

The D-Mark was the main beneficiary of these currency weaknesses, as investors flew to safety in the D-Mark.

The Swiss franc also benefitted from the safe haven effect and strengthened even against the D-Mark, closing in London at SFr0.838 from SFr0.839.

■ Earlier, a spill-over from Monday night's sell-off in the dollar helped buoy the D-Mark. The dollar rose temporarily against the D-Mark in late trading, helped by weakness in Latin America and upbeat remarks from Mr Robert Rubin, US Treasury Secretary nominee, who said a strong dollar was in the US's interest.

The producer price index, which rose 0.2 per cent in line with expectations, had little market impact.

Against the D-Mark, the dollar closed in London at DM1.5341 from DM1.5539. Against the yen, it finished at Y100.26 from Y100.8150.

Markets expressed their concern about political and fiscal problems in Canada, driving the Canadian dollar to its nine-year low against the US dollar.

The Bank of Canada intervened on behalf of its currency.

The Mexican peso weakened against the dollar, closing in London at 5.75 pesos, previously at 5.15 pesos. A fall-out in Latin American financial markets helped push the Mexican currency down.

■ Sterling fell two pfennigs against the robust D-Mark and dropped almost half a cent against the dollar, as it followed other European currencies down.

In the UK money market, the Bank of England provided assistance of £167m at established rates after forecasting a shortage of $600m. It provided late assistance of £295m.

■ **OTHER CURRENCIES**

Jan 10	£	$
Hungary	178.237 - 178.466	112.980 - 113.080
Iran	2727.23 - 2730.35	1748.00 - 1750.00
Kuwait	0.4665 - 0.4675	0.2991 - 0.2996
Poland	3.7952 - 3.7999	2.4330 - 2.4352
Russia	5903.78 - 5908.47	3784.00 - 3787.00
U.A.E.	5.7292 - 5.7317	3.6728 - 3.6732

POUND SPOT FORWARD AGAINST THE POUND

Jan 10		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.8730	-0.1638	664 - 796	17.1430	16.8206	16.8592	1.0	16.8186	1.3	-	-	110.1
Belgium	(BFr)	49.3944	-0.3504	552 - 336	49.5320	49.2680	49.3544	1.0	49.2394	1.3	48.5994	1.6	117.7
Denmark	(DKr)	9.4366	-0.085	327 - 404	9.4704	9.4285	9.4384	-0.2	9.4311	0.2	9.4065	0.3	117.4
Finland	(FM)	7.4339	-0.0192	272 - 405	7.4850	7.3990	-	-	-	-	-	-	88.5
France	(FFr)	8.2734	-0.0676	709 - 759	8.3165	8.2664	8.2711	0.3	8.2646	0.4	8.2025	0.9	110.6
Germany	(DM)	2.3934	-0.022	924 - 944	2.4072	2.3895	2.3913	1.1	2.3856	1.3	2.3498	1.8	127.9
Greece	(Dr)	372.720	-2.447	504 - 936	373.673	371.802	-	-	-	-	-	-	-
Ireland	(I£)	1.0082	-0.0026	076 - 087	1.0115	1.0069	1.008	0.2	1.0081	0.0	1.0074	0.1	105.0
Italy	(L)	2535.09	+1.29	390 - 627	2540.18	2530.77	2539.84	-2.2	2549.48	-2.3	2592.49	-2.3	72.5
Luxembourg	(LFr)	49.3944	-0.3504	552 - 335	49.5320	49.2680	49.3544	1.0	49.2394	1.3	48.5994	1.8	117.7
Netherlands	(Fl)	2.6842	-0.0243	830 - 854	2.6975	2.6804	2.682	1.0	2.6758	1.3	2.6366	1.8	121.8
Norway	(NKr)	10.4858	-0.0635	817 - 898	10.5463	10.4440	10.4851	0.1	10.4841	0.1	10.4758	0.1	86.9
Portugal	(Es)	247.596	-0.883	400 - 792	249.147	246.453	248.418	-4.0	249.891	-3.7	-	-	-
Spain	(Pta)	208.444	+0.381	293 - 594	210.338	207.769	208.799	-2.0	209.524	-2.1	212.674	-2.0	82.8
Sweden	(SKr)	11.6924	+0.003	827 - 021	11.7330	11.6127	11.7094	-1.7	11.7379	-1.6	11.8484	-1.3	74.9
Switzerland	(SFr)	2.0046	-0.0214	037 - 054	2.0170	1.9998	2.0008	2.3	1.993	2.3	1.9433	3.1	123.3
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.2
Ecu	-	1.2656	+0.0056	651 - 660	1.2685	1.2640	1.2652	0.3	1.2649	0.2	1.257	0.7	-
SDR†	-	0.935013	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5604	+0.0065	601 - 607	1.5648	1.5587	-	-	-	-	-	-	-
Brazil	(R)	1.3246	-0.0111	228 - 263	1.3270	1.3178	-	-	-	-	-	-	-
Canada	(C$)	2.2065	+0.0221	057 - 072	2.2084	2.1959	2.2067	-0.1	2.2083	-0.3	2.2191	-0.8	83.7
Mexico	(New Peso)	8.9709	+0.9654	134 - 293	10.4348	8.5020	-	-	-	-	-	-	-
USA	($)	1.5602	-0.0067	599 - 604	1.5645	1.5582	1.56	0.2	1.5598	0.1	1.5585	0.1	83.1
Pacific/Middle East/Africa													
Australia	(A$)	2.0348	+0.0021	338 - 357	2.0485	2.0302	2.0377	-1.7	2.0444	-1.9	2.0812	-2.3	-
Hong Kong	(HK$)	12.1083	+0.052	056 - 110	12.1406	12.0947	12.0773	3.1	12.1398	-1.0	12.0528	0.5	-
India	(Rs)	48.9380	+0.1749	263 - 497	49.0780	48.8810	-	-	-	-	-	-	-
Japan	(Y)	156.421	-0.291	333 - 508	156.840	156.070	155.891	4.1	154.846	4.0	148.901	4.8	187.1
Malaysia	(M$)	3.9842	+0.0161	824 - 860	4.0008	3.9793	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.4368	-0.0039	354 - 381	2.4580	2.4347	2.4428	-2.8	2.4535	-2.7	2.488	-2.1	-
Philippines	(Peso)	38.1457	+0.0618	616 - 298	38.2500	37.9540	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8516	+0.0209	504 - 527	5.8680	5.8447	-	-	-	-	-	-	-
Singapore	(S$)	2.2638	+0.0064	626 - 649	2.2681	2.2614	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5218	-0.0008	197 - 238	5.5430	5.5121	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.4669	+0.1247	502 - 835	6.4894	6.3725	-	-	-	-	-	-	-
South Korea	(Won)	1234.18	+3.11	388 - 443	1238.15	1232.69	-	-	-	-	-	-	-
Taiwan	(T$)	41.0620	+0.0781	511 - 728	41.2167	41.0149	-	-	-	-	-	-	-
Thailand	(Bt)	39.1957	+0.1012	738 - 175	39.2770	39.1620	-	-	-	-	-	-	-

†SDR rates for Jan 9. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 10		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	10.8150	-0.145	125 - 175	10.8325	10.7780	10.8075	0.9	10.791	0.9	10.6835	1.1	104.9
Belgium	(BFr)	31.6600	-0.3415	400 - 800	31.7000	31.5700	31.64	0.8	31.575	1.1	31.265	1.3	106.5
Denmark	(DKr)	6.0485	-0.064	470 - 500	6.0675	6.0417	6.0492	-0.1	6.051	-0.2	6.0355	0.2	105.4
Finland	(FM)	4.7648	-0.0293	613 - 683	4.7901	4.7351	4.7626	0.6	4.7578	0.8	4.7373	0.8	82.8
France	(FFr)	5.3030	-0.0629	022 - 037	5.3225	5.2955	5.3022	0.2	5.2982	0.4	5.263	0.8	106.5
Germany	(D)	1.5341	-0.0198	337 - 345	1.5402	1.5310	1.5329	0.9	1.5294	1.2	1.5074	1.7	107.9
Greece	(Dr)	238.900	-2.45	800 - 000	239.170	238.000	241.4	-12.6	245.65	-11.3	262.4	-9.8	68.4
Ireland	(I£)	1.5476	+0.0097	470 - 481	1.5508	1.5424	1.5476	-0.1	1.5473	0.1	1.5476	0.0	-
Italy	(L)	1624.90	-5.13	440 - 540	1627.82	1623.60	1628.3	-2.5	1634.4	-2.3	1663.4	-2.4	73.2
Luxembourg	(LFr)	31.6550	-0.3465	400 - 700	31.7000	31.5700	31.635	0.8	31.57	1.1	31.25	1.3	106.5
Netherlands	(Fl)	1.7205	-0.0215	200 - 210	1.7267	1.7178	1.7193	0.9	1.7154	1.2	1.6918	1.7	106.2
Norway	(NKr)	6.7210	-0.0655	195 - 225	6.7440	6.6765	6.7173	0.7	6.7115	0.6	6.661	0.9	96.8
Portugal	(Es)	158.700	-1.15	600 - 800	159.720	157.100	159.275	-4.3	160.325	-4.1	163.825	-3.2	95.5
Spain	(Pta)	133.605	+0.245	530 - 680	134.720	132.920	133.85	-2.2	134.32	-2.1	136.455	-2.1	78.3
Sweden	(SKr)	7.4944	-0.0255	894 - 994	7.5178	7.4312	7.5056	-1.9	7.5249	-1.8	7.6019	-1.4	80.8
Switzerland	(SFr)	1.2849	-0.0185	845 - 852	1.2907	1.2815	1.2825	2.2	1.2778	2.2	1.2488	2.8	107.9
UK	(£)	1.5602	+0.0057	599 - 604	1.5645	1.5582	1.56	0.2	1.5598	0.1	1.5585	0.1	87.8
Ecu	-	1.2328	+0.0099	325 - 330	1.2350	1.2307	1.233	-0.2	1.2333	-0.1	1.2398	-0.8	-
SDR†	-	1.45273	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0002	-0.0001	001 - 002	1.0001	1.0002	-	-	-	-	-	-	-
Brazil	(R)	0.8490	+0.004	480 - 500	0.8500	0.8450	-	-	-	-	-	-	-
Canada	(C$)	1.4143	+0.009	140 - 145	1.4145	1.4073	1.4144	0.0	1.4157	-0.4	1.4239	-0.7	81.0
Mexico	(New Peso)	5.7500	+0.5	500 - 500	5.8500	5.4500	5.751	-0.2	5.7529	-0.2	5.7602	-0.2	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.8
Pacific/Middle East/Africa													
Australia	(A$)	1.3042	-0.0062	038 - 046	1.3110	1.3021	1.3049	-0.7	1.3067	-0.8	1.3195	-1.2	92.0
Hong Kong	(HK$)	7.7610	+0.005	605 - 615	7.7662	7.7535	7.759	0.3	7.7578	0.2	7.7655	-0.1	-
India	(Rs)	31.3675	-0.0025	650 - 700	31.3700	31.3650	31.4375	-2.7	31.5825	-2.7	-	-	-
Japan	(Y)	100.260	-0.565	220 - 300	100.400	99.9000	99.93	3.8	99.28	4.0	95.505	4.7	148.5
Malaysia	(M$)	2.5538	-0.001	530 - 545	2.5591	2.5433	2.5607	1.4	2.5463	1.2	2.5743	-0.8	-
New Zealand	(NZ$)	1.5619	-0.0082	613 - 625	1.5718	1.5613	1.5628	-0.7	1.5653	-0.9	1.5743	-0.8	-
Philippines	(Peso)	24.4500	-0.05	000 - 000	24.5500	24.3000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7507	-0.0003	505 - 508	3.7508	3.7505	3.7543	-1.1	3.7612	-1.1	3.7757	-0.7	-
Singapore	(S$)	1.4510	-0.0012	505 - 515	1.4520	1.4495	1.4495	1.3	1.446	1.4	1.4295	1.5	-
S Africa (Com.)	(R)	3.5393	-0.0135	385 - 400	3.5420	3.5315	3.5548	-5.3	3.5869	-5.4	3.7518	-6.0	-
S Africa (Fin.)	(R)	4.1450	+0.065	350 - 550	4.1550	4.0750	4.173	-8.1	4.2175	-7.0	4.455	-7.5	-
South Korea	(Won)	791.050	-0.9	000 - 100	791.900	790.300	794.05	-4.8	797.55	-3.3	816.05	-3.2	-
Taiwan	(T$)	26.3193	-0.0462	165 - 220	26.3310	26.3175	26.3393	-0.9	26.3793	-0.9	-	-	-
Thailand	(Bt)	25.1230	-0.027	130 - 330	25.1330	25.1100	25.1525	-1.4	25.2435	-1.9	25.648	-2.1	-

†SDR rate for Jan 9. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jan 9. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

January 10	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4¾	5¼	5⅜	5⅞	6⅜	7.40	4.50	-
week ago	5⅛	5⅛	5⅜	5⅞	6¾	7.40	4.50	-
France	5⅛	5⅝	6	6½	7	5.00	-	6.40
week ago	5⅜	5⅝	6⅛	6¾	7¼	5.00	-	6.75
Germany	4.98	5.03	5.15	5.35	5.85	6.00	4.50	4.85
week ago	5.00	5.03	5.25	5.40	5.88	6.00	4.50	4.85
Ireland	5½	5½	6¼	6⅞	7¼	-	-	6.25
week ago	5⅝	5⅝	6⅛	6⅞	7¼	-	-	6.25
Italy	8¼	8⅝	9⅛	10	10⅝	-	7.50	8.20
week ago	8¼	8⅝	9	9⅞	10½	-	7.50	8.20
Netherlands	4.84	5.15	5.21	5.45	5.97	-	5.25	-
week ago	4.84	5.15	5.29	5.52	5.97	-	5.25	-
Switzerland	3½	3⅞	4⅛	4¼	4⅝	6.625	3.50	-
week ago	3½	3⅞	4¼	4½	4⅞	6.625	3.50	-
US	5⅝	6⅛	6⅝	6⅞	7⅝	-	4.75	-
week ago	5⅜	5⅞	6⅛	6⅞	7⅝	-	4.75	-
Japan	2¼	2¼	2¼	2¼	2⅞	-	1.75	-
week ago	2⅛	2¼	2¼	2¼	2⅞	-	1.75	-
■ $ LIBOR FT London Interbank Fixing	-	5¾	6⅝	6⅞	7¼	-	-	-
week ago	-	5⅞	6⅛	7	7⅜	-	-	-
US Dollar CDs	-	5.71	6.10	6.69	7.45	-	-	-
week ago	-	5.71	6.21	6.74	7.54	-	-	-
SDR Linked Ds	-	4.56	4.94	5.25	5.69	-	-	-
week ago	-	4¾	4⅞	5⅛	5⅜	-	-	-

ECU Linked Ds mid rates: 1 mth 5⅜; 3 mths 6⅛; 6 mths 6⅝; 1 year 7. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster. Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jan 10	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4 15/16 - 4 13/16	5 - 4⅞	5 3/16 - 5 1/16	5 5/16 - 5 3/16	5 15/16 - 5 13/16	6 9/16 - 6 7/16
Danish Krone	5¼ - 5	5⅝ - 5⅜	5¾ - 5½	6⅛ - 5⅞	6½ - 6¼	7⅛ - 6⅞
D-Mark	4 15/16 - 4 13/16	4 15/16 - 4 13/16	5 - 4⅞	5 - 4⅞	5⅜ - 5¼	5 15/16 - 5 13/16
Dutch Guilder	5 3/16 - 5 1/16	5 3/16 - 5 1/16	5 3/16 - 5 1/16	5¼ - 5⅛	5½ - 5⅜	6 - 5⅞
French Franc	5⅜ - 5¼	5 7/16 - 5 5/16	5⅝ - 5½	6 - 5⅞	6½ - 6⅜	7 - 6⅞
Portuguese Esc.	8¾ - 8⅝	9 3/16 - 8 15/16	10½ - 10⅛	11⅛ - 10⅞	10¾ - 10¼	11¾ - 11¼
Spanish Peseta	8½ - 8⅜	8½ - 8⅜	8 13/16 - 8 9/16	9 3/16 - 8 15/16	9 13/16 - 9 11/16	10½ - 10⅜
Sterling	6⅛ - 6¼	6 - 5⅞	6 1/16 - 6	6 7/16 - 6 5/16	7 1/16 - 6 15/16	7 13/16 - 7 11/16
Swiss Franc	3½ - 3⅜	3½ - 3⅜	3¾ - 3⅝	4 1/16 - 3 15/16	4⅝ - 4½	4⅞ - 4¾
Can. Dollar	5 13/16 - 5½	6 - 5 13/16	6⅛ - 5 13/16	6⅞ - 6¾	7 13/16 - 7 9/16	8 5/16 - 8 1/16
US Dollar	5 13/16 - 5 9/16	5 13/16 - 5 11/16	5⅞ - 5¾	6 7/16 - 6 5/16	6 15/16 - 6 13/16	7 11/16 - 7 9/16
Italian Lira	9 - 7½	8⅜ - 8¼	8 9/16 - 8 7/16	9 1/16 - 8 13/16	9¾ - 9⅝	10 9/16 - 10 7/16
Yen	2¼ - 2 3/16	2 5/16 - 2¼	2 5/16 - 2¼	2⅜ - 2 5/16	2 7/16 - 2⅜	2⅞ - 2 13/16
Asian $Sing	3⅞ - 3⅝	4⅜ - 4¼	3⅝ - 3½	4 3/16 - 4 1/16	4 9/16 - 4 7/16	4¾ - 4⅝

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.38	93.40	-0.03	93.43	93.33	32,494	49,711
Jun	92.92	92.89	-0.10	92.95	92.84	27,582	51,875
Sep	92.66	92.62	-0.06	92.69	92.60	9,831	31,847
Dec	92.38	92.37	-0.08	92.43	92.35	4,641	19,142

■ **THREE MONTH EURODOLLAR** (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	92.93	92.99	+0.07	92.93	92.93	100	1456
Jun		92.27	+0.08			0	013
Sep		91.84	+0.04			0	177
Dec		91.60	+0.02			0	0

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.54	94.62	+0.09	94.62	94.53	45582	190707
Jun	94.06	94.16	+0.09	94.18	94.06	49110	140258
Sep	93.63	93.75	+0.12	93.75	93.63	23897	86321
Dec	93.22	93.34	+0.12	93.35	93.22	14806	68286

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	89.81	89.78	-0.18	89.84	89.65	13358	34134
Jun	89.25	89.27	-0.11	89.28	89.15	6065	19211
Sep	88.92	88.96	-0.11	89.02	88.85	5917	24287
Dec	88.75	88.74	-0.10	88.77	88.64	1049	15841

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.60	95.70	+0.10	95.71	95.60	6657	19187
Jun	95.28	95.38	+0.10	95.39	95.28	1390	8571
Sep	95.00	95.10	+0.12	95.11	95.00	231	8530
Dec	94.76	94.85	+0.11	94.84	94.76	170	2720

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.28	93.32	-	93.32	93.22	2951	8182
Jun	92.78	92.83	-	92.85	92.74	692	4833
Sep	92.40	92.43	+0.02	92.43	92.33	739	2853
Dec	92.01	92.04	+0.02	92.03	91.99	110	1529

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jan 10		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	16.11	16.75	4.845	2.041	5133	5.434	21.24	501.1	421.9	23.67	4.060	2.025	4.466	3.159	316.7	2.561
Denmark	(DKr)	52.34	10	8.767	2.536	1.068	2687	2.844	11.12	262.3	220.9	12.39	2.125	1.060	2.338	1.653	165.7	1.341
France	(FFr)	59.70	11.41	10	2.893	1.210	3064	3.244	12.68	299.2	251.9	14.13	2.424	1.209	2.667	1.886	189.0	1.529
Germany	(DM)	20.64	3.943	3.457	1	0.421	1059	1.122	4.384	103.4	87.09	4.885	0.838	0.418	0.922	0.652	65.36	0.529
Ireland	(I£)	49.00	9.361	8.207	2.374	1	2515	2.663	10.41	245.6	206.7	11.60	1.989	0.992	2.188	1.548	155.2	1.255
Italy	(L)	1.948	0.372	0.326	0.094	0.040	100.	0.106	0.414	9.763	8.221	0.461	0.079	0.039	0.087	0.062	0.170	0.050
Netherlands	(Fl)	18.40	3.518	3.082	0.892	0.376	944.5	1	3.908	92.21	77.65	4.355	0.747	0.373	0.922	0.581	58.27	0.471
Norway	(NKr)	47.08	8.995	7.887	2.281	0.961	2417	2.559	10	235.9	198.7	11.14	1.911	0.953	2.103	1.487	149.1	1.206
Portugal	(Es)	19.96	3.813	3.343	0.967	0.407	1024	1.084	4.238	100.	84.20	4.723	0.810	0.404	0.891	0.630	63.19	0.511
Spain	(Pta)	23.70	4.528	3.970	1.148	0.484	1216	1.288	5.034	118.8	100.	5.609	0.962	0.480	1.059	0.749	75.05	0.607
Sweden	(SKr)	42.25	8.072	7.077	2.047	0.862	2169	2.296	8.973	211.7	178.3	10	1.715	0.855	1.887	1.334	133.8	1.082
Switzerland	(SFr)	24.63	4.706	4.126	1.164	0.503	1264	1.339	5.232	123.4	103.9	5.830	1	0.499	1.100	0.778	78.00	0.631
UK	(£)	49.39	9.436	8.273	2.393	1.006	2535	2.684	10.49	247.5	208.4	11.69	2.005	1	2.206	1.560	156.4	1.265
Canada	(C$)	22.39	4.277	3.750	1.085	0.457	1149	1.217	4.755	112.2	94.47	5.299	0.909	0.453	1	0.707	70.90	0.573
US	($)	31.66	6.049	5.303	1.534	0.646	1625	1.721	0.724	158.7	133.6	7.494	1.285	0.641	1.414	1	100.3	0.811
Japan	(Y)	31.58	6.033	5.290	1.530	0.645	1621	1.716	0.707	158.2	133.2	7.474	1.282	0.639	1.410	0.997	100.	0.809
Ecu		39.04	7.459	6.540	1.892	0.797	2004	2.122	8.292	195.7	164.7	9.241	1.585	0.791	1.744	1.233	123.8	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6520	0.6536	+0.0011	0.6539	0.6507	59,585	74,433
Jun	0.6547	0.6564	-0.0005	0.6564	0.6546	104	2,023
Sep	-	0.6581	-	-	0.0581	2	148

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.0078	1.0048	-0.0036	1.0080	1.0025	47,345	64,981
Jun	1.0166	1.0172	-0.0052	1.0174	1.0158	1,226	7,848
Sep	-	1.0343	+0.0181	-	-	6	355

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.7802	0.7830	+0.0018	0.7835	0.7778	39,021	39,656
Jun	0.7847	0.7865	+0.0006	0.7865	0.7847	287	846
Sep	0.7925	0.7925	-0.0005	0.7930	0.7915	12	86

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.5634	1.5604	-0.0030	1.5636	1.5590	17,092	55,062
Jun	1.5630	1.5590	-0.0010	1.5630	1.5580	10	560
Sep	-	1.5580	-	-	1.5580	5	4

UK INTEREST RATES

LONDON MONEY RATES

Jan 10	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7 - 5½	6⅛ - 5⅞	6 1/16 - 5 15/16	6⅝ - 6½	7½ - 7	7 13/16 - 7 11/16
Sterling CDs	-	-	6 - 5 15/16	6½ - 6⅞	7 - 6⅞	7¾ - 7 11/16
Treasury Bills	-	-	5 15/16 - 5 13/16	6¼ - 6⅛	-	-
Bank Bills	-	-	5 15/16 - 5 27/32	6 7/16 - 6 5/16	6⅞ - 6¾	-
Local authority deps.	5 13/16 - 5 11/16	5 13/16 - 5 11/16	6 1/16 - 5 15/16	6 9/16 - 6 7/16	7 1/16 - 6 15/16	7 13/16 - 7 11/16
Discount Market deps	6⅝ - 6	6 1/16 - 5 15/16	-	-	-	-

UK clearing bank base lending rate 6¼ per cent from December 7, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2	2½	3¼	5½	5¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc. Ave. tender rate of discount 5.9033pc. ECGD fixed rate Stg. Export Finance. Make up day Dec 30, 1994. Agreed rate for period Jan 26, 1995 to Feb 25, 1995, Schemes II & III 7.71pc. Reference rate for period Dec 1, 1994 to Dec 30, 1994, Schemes IV & V 6.402pc. Finance House Base Rate 6½pc from Jan 1, 1995

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	92.72	92.76	+0.02	92.77	92.70	25925	91972
Jun	91.98	92.03	-	92.03	91.96	18546	71388
Sep	91.50	91.52	-0.01	91.52	91.46	8116	63220
Dec	91.18	91.18	-	91.20	91.12	4724	46578

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9275	0.21	0.12	0.10	0.20	0.84	1.33
9300	0.09	0.07	0.06	0.33	1.04	1.54
9325	0.04	0.04	0.04	0.53	1.26	1.77

Est. vol. total, Calls 8555 Puts 6224. Previous day's open int., Calls 92867 Puts 87882

EMS EUROPEAN CURRENCY UNIT RATES

Jan 10	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.12879	-0.00603	-3.09	10.71	-
Belgium	40.2123	39.1130	-0.0855	-2.73	10.30	20
Germany	1.94964	1.89858	-0.00592	-2.62	10.17	-
Ireland	0.808628	0.798578	+0.003061	-1.24	8.63	6
France	6.53883	6.56580	-0.01036	0.41	2.84	-3
Denmark	7.43679	7.48524	-0.00375	0.65	0.59	-4
Portugal	192.854	196.121	+0.298	1.69	5.50	-11
Spain	154.250	165.486	+2.186	7.28	0.00	-51
NON ERM MEMBERS						
Greece	264.513	294.986	-0.59	11.52	-3.80	-
Italy	1793.19	2006.89	+15.05	11.92	-4.14	-
UK	0.786749	0.791013	+0.00478	0.54	3.71	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu: a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.

(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Jan	PUTS Feb	PUTS Mar
1.500	5.84	6.00	6.23	-	0.06	0.32
1.525	3.45	3.79	4.23	-	0.39	0.80
1.550	1.18	2.03	2.59	0.11	1.01	1.63
1.575	0.05	0.86	1.47	1.50	2.32	2.86
1.600	-	0.28	0.73	3.85	4.18	4.62
1.625	-	0.05	0.31	6.35	6.43	6.68

Previous day's vol., Calls 7,774 Puts 11,253 . Prev. day's open int., Calls 218,828 Puts 256,226

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	92.94	92.97	+0.04	92.98	92.92	89,609	450,105
Jun	92.20	92.25	+0.05	92.26	92.19	116,052	383,813
Sep	91.81	91.83	+0.03	91.86	91.79	51,185	287,122

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	93.62	93.65	+0.05	93.65	93.81	811	13,397
Jun	92.90	92.94	+0.03	92.94	92.90	179	3,877
Sep	92.49	92.51	-	92.54	92.49	21	1,429

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	CALLS Jun	PUTS Jan	PUTS Feb	PUTS Mar	PUTS Jun
9450	0.13	0.10	0.21	0.12	0.01	0.06	0.09	0.46
9475	0	0.04	0.07	0.06	0.13	0.17	0.20	0.65
9500	0	0.01	0.02	0.03	0.38	0.39	0.40	0.87

Est. vol. total, Calls 22330 Puts 11751. Previous day's open int., Calls 134530 Puts 173722

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9550	0.26	0.20	0.17	0.06	0.32	0.57
9575	0.11	0.10	0.10	0.18	0.47	0.75
9600	0.04	0.06	0.05	0.34	0.87	0.95

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 1395 Puts 1665

BASE LENDING RATES

	%		%		%
Adam & Company	6.25	Duncan Lawrie	6.25	*Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	6.25	Exeter Bank Limited	7.25	Royal Bk of Scotland	6.25
AIB Bank	6.25	Financial & Gen Bank	6.5	Singer & Friedlander	6.25
●Henry Ansbacher	6.25	●Robert Fleming & Co	6.25	●Smith & Williamson Secs.	6.25
Bank of Baroda	6.25	Girobank	6.25	TSB	6.25
Banco Bilbao Vizcaya	6.25	●Guinness Mahon	6.25	●United Bk of Kuwait	6.25
Bank of Cyprus	6.25	Habib Bank AG Zurich	6.25	Unity Trust Bank Plc	6.25
Bank of Ireland	6.25	●Hambros Bank	6.25	Western Trust	6.25
Bank of India	6.25	Heritable & Gen Inv Bk	6.25	Whiteaway Laidlaw	6.25
Bank of Scotland	6.25	●Hill Samuel	6.25	Yorkshire Bank	6.25
Barclays Bank	6.25	C. Hoare & Co	6.25		
Brit Bk of Mid East	6.25	Hongkong & Shanghai	6.25		
●Brown Shipley & Co Ltd	6.25	Julian Hodge Bank	6.25		
Citibank NA	6.25	●Leopold Joseph & Sons	6.25		
Clydesdale Bank	6.25	Lloyds Bank	6.25	● Members of London Investment Banking Association	
The Co-operative Bank	6.25	Meghraj Bank Ltd	6.25		
Coutts & Co	6.25	Midland Bank	6.25	* In administration	
Credit Lyonnais	6.25	* Mount Banking	6.25		
Cyprus Popular Bank	6.25	NatWestminster	6.25		
		●Rea Brothers	6.25		

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jan 10 / Sch)

BELGIUM/LUXEMBOURG (Jan 10 / Frs.)

DENMARK (Jan 10 / Kr)

FINLAND (Jan 10 / Mks)

FRANCE (Jan 10 / Frs.)

GERMANY (Jan 10 / Dm.)

ITALY (Jan 10 / Lire)

NETHERLANDS (Jan 10 / Fls.)

NORWAY (Jan 10 / Kroner)

SPAIN (Jan 10 / Pts.)

SWEDEN (Jan 10 / Kronor)

SWITZERLAND (Jan 10 / Frs.)

PACIFIC

JAPAN (Jan 10 / Yen)

HONG KONG (Jan 10 / H.K.$)

MALAYSIA (Jan 10 / MYR)

SINGAPORE (Jan 10 / S$)

AUSTRALIA (Jan 10 / Aus$)

NORTH AMERICA

CANADA

TORONTO (Jan 10 / Can $)

4 pm close

MONTREAL (Jan 10 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Jan 10 / Rand)

FT FREE ANNUAL REPORTS SERVICE

■ TOKYO - MOST ACTIVE STOCKS: Tuesday, January 10, 1995

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Paint	5.3m	727	+15	Nippon Steel	2.5m	367	+1
Hachijuni Bank	3.5m	1190	-10	Nomura Secs	2.5m	1950	-40
Konica Corp	3.0m	824	+5	Mitsumi Electric	2.4m	1530	+120
Kawasaki Steel	2.8m	398		JGC Corp	2.3m	1700	+20
Sakai Ovex	2.8m	720	+2	Yamagata Bank	2.3m	619	+4

INDICES

	Jan 10	Jan 9	Jan 6	1994/5 High		1994/5 Low	
Argentina							
General (29/12/77)	(u)	14804.16	15350.42	25470.40	18/2/94	14804.16	9/1/95
Australia							
All Ordinaries(1/1/80)	1855.7	1856.9	1867.7	2340.80	3/2/94	1842.00	12/12/94
All Mining(1/1/80)	875.8	879.4	890.4	1138.10	3/2/94	875.80	10/1/95
Austria							
Credit Aktien(30/12/84)	386.98	387.32†	(c)	460.66	2/2/94	378.94	25/10/94
Traded Index(2/1/91)	1035.38	1037.84	(c)	1222.25	1/2/94	1011.38	6/6/94
Belgium							
BEL20 (1/1/91)	1383.93	1380.47	1391.22	1542.83	9/2/94	1336.39	7/10/94
Brazil							
Bovespa (29/12/83)	(u)	36278.0	36274.0	53110.00	13/9/94	3600.80	3/1/94
Canada							
Metals Minls♦(1975)	(u)	4185.08	4146.01	4278.02	20/10/94	3290.65	20/4/94
Composite♦ (1975)	(u)	4160.50	4151.65	4889.90	23/3/94	3859.90	24/6/94
Portfolio§§ (4/1/83)	(u)	2007.21	2003.01	2182.89	1/2/94	1808.48	28/6/94
Chile							
IPGA Gen (31/12/80)	(u)	5333.1	5433.3	5784.40	21/11/94	3801.20	4/4/94
Denmark							
CopenhagenSE(3/1/83)	352.16	353.10	352.50	415.79	2/2/94	336.98	20/12/94
Finland							
HEX General(28/12/90)	1940.3	1930.5	(c)	1972.80	4/2/94	1601.18	3/1/94
France							
SBF 250 (31/12/90)	1233.51	1239.01	1249.39	1585.20	2/2/94	1227.86	25/10/94
CAC 40(31/12/87)	1859.16	1864.22	1886.40	2355.93	2/2/94	1824.42	25/10/94
Germany							
FAZ Aktien(31/12/58)	766.84	770.77	767.68	859.27	18/5/94	742.04	5/10/94
Commerzbank(1/12/53)	2189.10	2202.3	2193.2	2465.30	2/5/94	2116.30	5/10/94
DAX (30/12/87)‡	2051.10	2069.18	2053.92	2271.11	18/5/94	1980.58	7/10/94
Greece							
Athens SE(31/12/80)	888.55	877.02	(c)	1194.58	18/1/94	804.37	22/11/94
Hong Kong							
Hang Seng(31/7/64)	7541.72	7528.86	7693.25	12201.09	4/1/94	7528.86	9/1/95
India							
BSE Sens.(1979)	3625.19	3711.20	3765.62	4628.57	12/9/94	3454.00	5/1/94
Indonesia							
Jakarta Comp.(10/8/82)	466.80	477.04	481.22	612.88	5/1/94	447.84	13/12/94
Ireland							
ISEQ Overall(4/1/88)	1875.59	1878.08	1888.30	2082.16	20/1/94	1684.14	1/7/94
Italy							
Banca Comm. Ital.(1972)	619.36	633.61	(c)	817.17	10/5/94	581.64	13/12/94
MIB General (2/1/95)	979.0	1002.0	(c)	1028.00	5/1/95	979.00	10/1/95
Japan							
Nikkei 225 (16/5/49)	19501.45	19444.92	19519.46	21552.81	13/6/94	17369.74	4/1/94
Nikkei 300 (1/10/82)	281.46	281.54	283.06	311.71	13/6/94	258.22	4/1/94
Topix (4/1/68)	1528.22	1527.90	1535.84	1712.73	13/6/94	1445.97	4/1/94
2nd Section (4/1/68)	2106.94	2108.33	2112.25	2342.85	8/7/94	1873.33	4/1/94
Malaysia							
KLSE Comp.(4/4/86)	923.38	937.05	955.43	1314.46	5/1/94	885.77	12/12/94
Mexico							
IPC (Nov 1978)	(u)	2104.05	2253.93	2881.17	8/2/94	1957.33	20/4/94
Netherland							
CBS TRtnGen(End 83)	440.4	442.3	442.5	454.90	31/1/94	406.30	21/6/94
CBS All Shr (End 83)	276.3	277.5	277.6	294.80	31/1/94	257.90	21/6/94
New Zealand							
Cap. 40 (1/7/86)	1934.16	1911.35	1903.53	2430.64	3/2/94	1878.09	12/12/94
Norway							
Oslo SE(Ind)(2/1/83)	1118.21	1123.38	1119.20	1211.10	28/2/94	980.91	21/6/94
Philippines							
Manila Comp (2/1/85)	2657.01	2704.98	2756.22	3308.37	4/1/94	2507.33	9/3/94
Portugal							
BTA (1977)	2892.9	2911.6	2884.7	3225.80	18/2/94	2612.80	20/6/94
Singapore							
SES All-S'pore(2/4/75)	521.72	528.48	533.85	641.61	4/1/94	505.84	13/12/94
South Africa							
JSE Gold (28/9/78)	1810.7▼	1807.3	1870.5	2534.00	7/9/94	1749.00	14/3/94
JSE Ind. (28/9/78)	6887.1▼	6953.4	6968.2	6984.40	30/12/94	5446.00	19/1/94
South Korea							
KoreaCmpEx(4/1/80)**	998.45	986.32	975.32	1138.75	8/11/94	855.37	3/4/94
Spain							
Madrid SE (30/12/85)	278.00	279.59	(c)	358.31	31/1/94	278.00	10/1/95
Sweden							
AffarsvardnGen (1/2/37)	1515.2	1515.5	(c)	1803.90	31/1/94	1334.70	6/7/94
Switzerland							
Swiss Bk Ind (31/12/58)	1231.57	1239.13	1243.35	1423.34	31/1/94	1138.72	27/10/94
SBC General (1/4/87)	918.29	923.09	924.83	1083.39	31/1/94	875.57	27/10/94
Taiwan							
WeightedPr.(30/6/66)**	6758.88	6869.08	6918.31	7791.13	30/9/94	5194.63	19/3/94
Thailand							
Bangkok SET (30/4/75)	1325.99	1347.99†	1363.10	1753.73	4/1/94	1196.59	4/4/94
Turkey							
Istanbul Cmp.(Jan 1986)	28872.8	28867.7	28949.8	29145.10	2/12/94	12980.70	24/3/94
WORLD							
MS Capital Int (1/1/70)$	612.3*	610.4	611.7	649.90	2/11/94	581.60	4/4/94
CROSS-BORDER							
Eurotrack 100(26/10/90)	1312.86	1323.61	1327.39	1540.19	31/1/94	1286.48	5/10/94
Euro Top-100 (26/6/90)	1166.38	1167.56	1174.24	1311.01	2/2/94	1136.48	5/10/94
JCapeOrgns (31/12/88)	(u)	286.50	291.37	395.19	5/1/94	285.49	12/12/94
Barings Emerg.(7/1/92)	(u)	149.82	150.65	191.79	26/9/94	141.65	21/4/94

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol	Open Int.
Jan	1861.0	1867.0	-3.0	1868.0	1848.0	22,788	23,920
Feb	1869.5	1876.5	-3.0	1870.5	1859.5	71	1,424
Mar	1878.5	1885.5	-3.0	1881.0	1867.5	147	20,037

Open interest figures for previous day.

** Sep Jan 7: Taiwan Weighted Price 6915.40; Korea Comp Ex 988.80. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 28 Industrials – 264.3; NYSE All Common – 00 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jan 10 - 2062.06 +8.67.

US INDICES

Dow Jones	Jan 9	Jan 6	Jan 5	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Industrials	3861.35	3867.41	3850.92	3978.36 (31/1/94)	3593.35 (4/4/94)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	93.85	93.84	93.86	105.81 (21/1/94)	93.56 (30/12/94)	108.77 (15/10/93)	54.99 (1/10/81)
Transport	1505.58	1501.37	1492.06	1862.29 (2/2/94)	1371.89 (13/12/94)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	183.83	184.35	183.30	227.05 (3/1/94)	173.94 (22/11/94)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3889.26 (3892.40) Low 3834.44 (3823.67) (Theoretical♠)
Day's high 3874.48 (3887.26) Low 3853.28 (3841.84) (Actual♠)

Standard and Poors	Jan 9	Jan 6	Jan 5	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Composite ‡	460.83	460.68	460.34	482.00 (2/2/94)	438.92 (4/4/94)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials▼	547.82	547.44	547.24	553.10 (28/10/94)	510.05 (21/4/94)	553.10 (28/10/94)	3.62 (21/6/32)
Financial	42.10	42.11	42.03	45.94 (14/6/94)	39.87 (22/11/94)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp	251.58	251.59	251.39	267.71 (2/2/94)	243.14 (4/4/94)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	434.17	433.12	433.76	487.89 (2/2/94)	420.23 (13/12/94)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	752.09	749.68	745.66	803.93 (18/3/94)	693.79 (24/6/94)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Jan 6	Dec 30	Dec 23	Year ago
Dow Jones Ind. Div. Yield	2.76	2.79	2.78	2.65
	Jan 4	Dec 28	Dec 21	Year ago
S & P Ind. Div. yield	2.45	2.44	2.45	2.40
S & P Ind. P/E ratio	18.71	18.76	18.88	27.43

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	463.60	464.50	+0.75	464.55	463.45	52,095	200,672
Jun	468.70	468.75	+0.65	468.75	468.70	321	8,229
Sep	-	473.35	+0.80	-	-	139	2,661

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Pet Inc	15,952,600	25½	+5⅝
Telefonos	9,123,000	36⅛	-⅛
Motorola	3,214,900	58⅞	+⅞
Adv Micro	2,831,900	28¾	+⅞
Empresas	2,772,500	10⅛	-1⅛
Merck	2,731,500	38¾	-¼
Amer T & T	2,708,700	48⅛	—
Chrysler	2,543,100	52¾	+⅛
Ford Motor	2,485,400	28⅞	+½
Wal-Mart	2,277,400	21¾	-⅛

■ TRADING ACTIVITY

● Volume (million)

	Jan 9	Jan 6	Jan 5
New York SE	278.718	308.075	309.732
Amex	18.957	22.200	18.416
NASDAQ	245.055	287.216	272.642
NYSE			
Issues Traded	2,818	2,833	2,922
Rises	1,180	1,223	1,130
Falls	1,006	959	1,082
Unchanged	732	751	710
New Highs	29	28	24
New Lows	60	62	35

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ▼ Subject to official recalculation.

4 pm close January 10

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994/95 High	Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Chg'ge Prev. Close
17 1/8	11 1/2	AAR	0.48	3.8	24	117	13 5/8	13 1/4	13 1/2	+1/4
19 7/8	12 7/8	A L Labs A	0.18	0.9	45	308	u19 7/8	19 1/2	19 7/8	
79 3/8	57 5/8	AMP	1.68	2.3	32	1942	74 1/8	72 1/4	73 7/8	+1 5/8
72 3/4	48 1/8	AMR			120	8788	57 1/2	56 5/8	56 5/8	-1/4
5	3 3/8	ARX			12	95	3 7/8	3 3/4	3 3/4	
56 1/8	38 5/8	ASA	2.00	4.6	28	679	43 3/4	43 1/8	43 3/4	+5/8
33 7/8	25 1/8	AbbtL	0.76	2.4	17	13007	31 1/4	31 1/4	31 1/4	-1/2
15 3/4	11 1/2	Abitibi Pr	0.50	3.7	12	62	13 5/8	13 5/8	13 5/8	+1/8
23 7/8	17 3/4	ABM Ind	0.60	2.7	13	37	23	22 5/8	22 1/8	-1/8
10	11 1/8	Acptncetn			12	1528	16 1/2	15 1/8	16 1/8	+3/8
31	20 3/4	ACE Ltd	0.44	1.9	24	109	22 7/8	22 3/4	22 7/8	
12 1/2	9	ACM Gvt In x	1.09	11.8	8	781	9 1/2	9 1/4	9 1/8	-1/8
10 1/8	6 7/8	ACM GvOpp	0.80	10.8		45	7 3/8	7 1/4	7 3/8	+1/8
10 5/8	6 1/4	ACM Gvt Sp x	0.95	13.0		330	7 1/2	7 1/4	7 3/8	-1/8
12	7 5/8	ACM Gvt Se x	1.09	13.2		214	8 1/2	8 1/4	8 1/4	-1/8
11 1/4	7 3/8	ACM Man x	1.08	12.9		174	8 3/8	8 1/4	8 3/8	+1/8
9 1/4	7 3/8	ACM Managd x	0.72	9.8		46	7 3/8	d7 3/8	7 3/8	-1/8
15 1/2	8 1/4	AcmeCle	0.44	3.6	22	54	11 1/4	11	11 1/4	+1/8
13 7/8	6 1/2	Acme Elect			14	306	13 3/4	13 1/4	13 3/4	+5/8
33 1/2	23	Acordia	0.60	1.8	17	28	u33 1/2	32 7/8	33 1/2	+1/2

Continued on next page

4 pm close January 10

NYSE COMPOSITE PRICES

1994/95 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
Continued from previous page										
17⅞	10⅞	SFeSd			24	12322	11½	d10⅞	11⅜	+⅛
34⅞	30⅛	SFePPipe	2.80	8.1	8	50	u34⅞	34½	34⅝	+⅛
26¼	12⅛	SanFeP	0.10	0.6	14	4190	17⅞	17⅝	17⅝	-⅛
26⅛	19⅝	SaraLee	0.68	2.8	55	9102	u26⅛	25⅝	25¾	
50⅛	41	Scana Corp	2.82	6.6	12	290	42⅞	42⅛	42⅝	
20½	12½	Sceerp	1.00	6.8	9	3469	15⅜	15⅛	15⅝	
45½	31¾	ScheranP			28	330	43⅝	43⅛	43⅛	-¼
75⅞	54½	SchrPl	2.04	2.8	15	2534	73½	72⅞	73⅛	+⅛
63	50	Schleb	1.20	2.4	24	10532	52⅝	50¾	50⅞	-1½
37	23¾	SchwabCl	0.28	0.8	19	1782	36½	35	36⅛	+½
10¾	6⅛	Schweitzer			7	43	8⅛	8	8	
22¾	12½	SciAtl	0.06	0.3	37	3337	20	19⅝	19¾	+½
18¼	13	Scotman	0.10	0.6	12	775	17⅞	17¼	17⅝	+⅜
70⅞	37¾	ScottP	0.80	1.1	21	4421	u70⅞	70⅜	70¼	+¾
28⅝	18½	ScuddrNAsF	0.02	0.1		935	20	19½	20	+⅛
12⅝	8¾	ScuddrNEuF	0.76	1.8		334	8	8⅞	8	+⅛
18¼	12	SeaCnB	0.70	4.8	8	13	14½	14½	14½	-¼
16½	14¼	SeaC1.4625	1.46	9.7		z100	15⅛	15⅛	15⅛	
29	22⅞	S'gate			8	6049	u29	26⅞	27½	
32⅝	26¼	Seagrm	0.60	2.0	14	1069	29⅞	29¼	29½	+⅛
29¾	17⅝	Seagull En			31	1518	18⅝	18½	18½	+⅛
37¼	26½	Sealed Air			22	179	u37⅛	36¾	37⅛	+½
55⅛	42⅛	SearsR	1.60	3.4	14	4085	47⅛	47	47¾	+⅞
13¾	9¾	Seligm Sel	0.84	7.7		86	11	10⅞	10⅞	
38⅛	26	Sensormat	0.22	0.8	28	3085	34⅝	33¾	34	
38⅛	17⅝	SequaA	0.60	2.8	8	69	23⅞	23⅞	23⅞	-¼
40¼	21	SequaB	0.50	2.0	13	15	25¾	25¼	25¼	-¾
28	22½	ServCp	0.42	1.6	18	2381	27⅝	26¾	27⅝	+½
28⅞	21½	SvMstr	0.92	3.9	15	362	23¾	22¾	23½	+⅝
23	12⅞	Shaw Ind	0.22	1.5	16	1070	15⅛	15	15	-⅛

AMEX COMPOSITE PRICES

4 pm close January 10

NASDAQ NATIONAL MARKET

4 pm close January 10

AMERICA

US equities make solid gains

Wall Street

US shares posted solid gains yesterday morning, flanked by equally bullish trading on US currency and bond markets, *writes Lisa Bransten in New York.*

By 1 pm, the Dow Jones Industrial Average had advanced 35.99 to 3,897.34 and the Standard & Poor's 500 was ahead 3.72 at 464.55.

The American Stock Exchange composite rose 1.11 to 435.28 and the Nasdaq composite was up 6.39 at 758.48. Trading volume on the NYSE was 206m shares.

The producer price index for December edged up 0.2 per cent – in line with consensus forecasts – bringing the PPI for the year up by a modest 1.7 per cent. Excluding the volatile food and energy components, the PPI was up 0.2 per cent for December and 1.6 per cent for the year.

Market reaction to price pressures at intermediate levels was muted, although the numbers served to solidify sentiment that the Federal Reserve was likely to boost interest rates again at the January 31-February 1 meeting of its open market committee. Intermediate prices, not including food and energy, rose 0.6 per cent in December, or 5.1 per cent on the year.

Rising bond prices and a firmer dollar contributed to the positive sentiment in US financial markets. The long bond rose more than one-third of a point by midday, while the dollar regained much of the ground lost Monday against the D-Mark and the Japanese yen.

Bolstering the stock market was a surge by Motorola, the electronics company, which gained nearly 6 per cent – up $3⅝ at $62⅝ – after reporting late on Monday that net earnings for the last quarter of 1994 had risen by more than 51 per cent from the same period in 1993.

The figures, which were well ahead of analysts' predictions, sent other technology shares up. Digital Equipment rose $1¼ at $35¾, Hewlett-Packard $1⅞ at $103⅜ and Compaq Computer $1⅜ at $41⅜. Technology issues traded on the Nasdaq also moved ahead with Apple Computer jumping 2\frac{1}{16}$ to $43¼, Intel up $⅜ at $8¼ and Microsoft rising $1 at $61¼.

Shares of Borden were down $⅛ at $13 after the board announced that the chief executive would be replaced by the former head of Duracell International.

The meltdown on the Mexican stock market spread to American Depository Shares of Mexican companies traded in New York.

The benchmark, Telmex, lost $3¼ at $33¼, while Empresas ICA lost more than 15 per cent, dropping $1⅜ at $8⅞.

Canada

Toronto was resilient in busy midday dealings as bonds and base metals underpinned a rebound. The TSE-300 composite index was 11.26 higher at 4,171.78 by noon in turnover of 26.5m shares.

Eleven of the market's 14 sub-indices were higher, led by a 1.5 per cent advance in pipelines and a 1 per cent gain in the base metals sector.

Inco rose C$¾ to C$41⅛ and Alcan Aluminium was C$¼ higher at C$37½.

Brazil, Mexico plummet

The sharp fall in Brady bonds provoked another unravelling of equity prices in early trading throughout the region.

Nevertheless, Baring Securities said yesterday that prospects for the region remained bright. While it was wary of investment in Mexico or Argentina, it recommended an overweight position in Brazil, and it was still positive towards Chile, Colombia and Peru.

Brazil

São Paulo took the brunt of the early falls, with the Bovespa index spiralling down by more than 10 per cent at midsession. Many investors feared that some of the country's smaller banks could face financial difficulties as a direct consequence of the Mexican crisis. The Bovespa index was off 3,777 at 32,493.

Mexico

Equities fell below the support level of 2,000 for the IPC index as investors took advantage of the sharp rise in dollar-linked interest rates.

The 37-share index was down by 144.44 or 7 per cent to 1,959.79 at midsession.

In the central bank's weekly auction, the primary rate on 28-day Tesobonos was set at 20 per cent, while the rate on 90-day Tesobonos rose by 701 basis points to 19.5 per cent.

Reflecting the mood, JP Morgan, the US investment bank, said yesterday that it had lowered its rating for Telmex, the telecommunications utility, to market performer from strong buy.

● Elsewhere, Argentina's Merval index was off 9 per cent at 375.85, while Venezuela's Merinvest index closed 4.2 per cent lower at 91.11.

SOUTH AFRICA

Industrial shares came under pressure in mostly slow trade, while gold issues ended little changed in spite of gains in the bullion price. The overall index was 43 softer at 5,673.9, industrials lost 56.3 at 6,897.1 and golds edged forward 3.4 to 1,810.7.

EUROPE

Nordic telecoms rise as German retailers slump

Currency weakness involving the Spanish peseta, the Italian lira, the French franc and the Swedish crown – the latter in spite of yesterday's austerity budget – gave bourses an unhappy morning, *writes Our Markets Staff.* Their afternoon recovery, as Wall Street moved higher, suggested relief, rather than enthusiasm.

However, there were items of interest. History repeated itself in telecoms as Ericsson, in Sweden, and Nokia, in Finland, responded to Monday's record fourth-quarter results from Motorola, in the US, Ericsson "B" rising 3.4 per cent and lifting an otherwise moribund Stockholm bourse, and Nokia doing the same for Helsinki with a 4.6 per cent gain. Motorola's last progress report, in October, had a similar effect.

FRANKFURT was rescued by afternoon gains on the bond market. The Dax index lost 8.08 on the session to 2,051.10, but the afternoon surge in the March bund future took it over the 89 mark, against 88.41 on Monday, and the Ibis-indicated Dax up 8.67 to 2,062.08.

Mr Eckhard Frahm at Merck Finck in Düsseldorf reckoned that 89 for the future was a key level in establishing a recovery platform for equities. Turnover was flat at DM4.4bn and cyclicals staged an intra-day recovery.

However, the market did not relent on department stores, where Karstadt lost another DM8.50 to DM531, and Kaufhof DM3 more to DM458. Mr Thomas Niesse, chief analyst at DB Research, confirmed that the Deutsche Bank investment research arm had made savage cuts in its estimates for Karstadt, Germany's biggest department store group, looking for earnings of DM12 a share for 1994 against earlier hopes of DM21, and DM14 for 1995 against DM25. Mr Niesse said that the cuts reflected one of the worst retailing years in the past 30, severely disappointing Christmas sales, higher federal taxes and predictions of weaker consumer spending in 1995.

PARIS, initially weak on currency, bonds and US PPI data, recovered in a late rally, assisted by the rise on Wall Street. The CAC-40 index finished 5.03 down at 1,859.19, after a low of 1,841. Turnover was just under FFr3bn.

There were reports that a new FFr30bn rescue package for Crédit Lyonnais, the state owned bank, was to be put together by the government. Denied at government level, the only surprise was that the figure quoted was at the high end of expectations. The bank's non-voting CI's fell FFr13.50 or 3 per cent to FFr420.00.

ZURICH was weaker, again taking its lead from the dollar, and the SMI index lost 16.9 at 2,600.4.

Banks saw another flurry after CS Investment Research recommended a switch back from the recently favoured SBC and into UBS, which has been under pressure in the wake of its plans to introduce a single share structure. SBC fell 1.8 per cent to a day's low of SFr373 before picking up to finish SFr3 down at SFr377 and UBS bearers peaked at SFr1,052 before ending flat at SFr1,042.

CS Investment Research said that the UBS bearers were now fairly valued and should perform in line with the market over the next year. SBC bearers, however, could probably be bought at lower prices in the next few months.

Swissair, under pressure in recent months, fell SFr30 or 4.1 per cent to a 15 month low of SFr710 as the Basle-based Bank Sarasin joined others downgrading earnings forecasts. Sarasin cut its 1994 forecast from a net profit of SFr95m to a loss of SFr5m and reduced its 1995 profits forecast from SFr100m to SFr75m.

MILAN was pessimistic as President Oscar Luigi Scalfaro continued to seek a way out of the political crisis and worries grew that the Bank of Italy was likely soon to raise interest rates to contain rising inflation and protect the lira, which once again posted all-time lows against the D-Mark.

The Comit index lost 14.45 or 2.3 per cent to 619.38 while the real time Mibtel picked up from a low of 9,886 to finish 149 down at 9,932, reflecting bargain hunting ahead of technical deadlines this week and expectations among some investors that the head of a new government might be named before the weekend.

Credito Romagnolo picked up L51 to L19,412 as hopes for a bid battle continued. Cariplo's L21,500 per share bid for 70 per cent of the stock begins today but some analysts believed that its rival, Credito Italiano, could still spring a surprise. Italiano fell L32 to L1,767.

AMSTERDAM edged lower in light trade, the AEX index losing 1.61 at 412.96, off a low of 410.94.

ING, the banking and insurance group, slipped 80 cents to Fl 82.00 on reports that a US broker had cut its earnings forecasts on the company.

Akzo Nobel, the chemicals group, recovered from a session low of Fl 198.50 to end down 30 cents at Fl 200.20 after confirming that it would meet forecasts for a rise in 1994 profits.

MADRID saw late institutional buying and recovered from an intraday drop to 273, but the general index still closed at a new 1994-95 low of 278.00, down 1.59.

Turnover was brisk at Pta32.5bn. There was some recovery in utilities, where Endesa rose Pta130 to Pta5,210 and Sevillana Pta8 to Pta545; in a mixed banking sector, Banesto dropped Pta41 to Pta871.

Written and edited by William Cochrane, John Pitt and Michael Morgan

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

Jan 10 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00		
FT-SE Eurotrack 100	1311.12	1311.25	1319.28	1310.09	1310.18	1309.56	1309.82	1312.86
FT-SE Eurotrack 200	1371.74	1370.22	1370.70	1369.35	1369.60	1370.09	1369.41	1373.53

	Jan 9	Jan 6	Jan 5	Jan 4	Jan 3
FT-SE Eurotrack 100	1323.84	1327.39	1328.95	1337.95	1332.98
FT-SE Eurotrack 200	1380.11	1384.14	1379.66	1390.66	1398.41

Base 1000 (26/10/90); High/day: 100 - 1313.42; 200 - 1373.53 Low/day: 100 - 1308.12 200 - 1367.78 † Partial

ASIA PACIFIC

Nikkei improves on mild support

Tokyo

Share prices broke a five-day losing streak, the Nikkei 225 average rising for the first time this year on buying by banks and overseas investors, *writes Emiko Terazono in Tokyo.*

The rebound, however, remained weak and although the index closed 56.53 better at 19,501.45, brokers said sentiment was still subdued. The Nikkei fell to a day's low of 19,369.28 in the morning, due to a rise in the yen against the dollar. But buying by arbitrageurs and domestic institutions lifted it to a high of 19,543.67 just before the close.

Volume was 180m shares, against 128m. The Topix index of all first section stocks put on 0.32 at 1,528.22 and the Nikkei 300 lost 0.06 at 281.48. Rises led falls by 504 to 366, with 255 issues unchanged. In London the ISE/Nikkei 50 index was 0.15 firmer at 1,268.72.

Buying of privatisation stocks by foreigners prompted a small rally, but most investors stayed on the sidelines.

Some individual investors turned to the over-the-counter market for growth stocks. The Nikkei OTC index was ahead 26.87 to a preliminary 1,822.77 in volume of 24.3m shares, the second largest on record.

Reports of higher profits boosted Mitsumi Electric by Y120 to Y1,530. Cost-cutting efforts are expected to help the company's recurring profits for the next two years, while a rise in overseas production is also likely to help earnings.

Japan Airlines rose Y4 to Y667 on an improved earnings outlook. Press reports of better than expected earnings for the current year to March thanks to strong growth in the number of Japanese vacationing abroad encouraged investors.

Heavy electrical makers were lower on profit-taking. Toshiba fell Y6 to Y702 and Fujitsu declined Y8 to Y983.

Nippon Paint, the most active issue of the day, climbed Y15 to Y727.

Buying by a UK broker lifted Nippon Telegraph and Telephone, which rose Y11,000 to Y877,000. Other privatisation stocks gave up early gains to close flat.

In Osaka, the OSE average moved up 13.84 to 21,326.62 in volume of 46.3m shares.

Roundup

Dollar weakness and renewed worries about an increase in US interest rates pressured the region's markets.

MANILA was depressed by a sharp decline in heavily weighted PLDT, which was heavily sold in New York overnight, leaving the domestic stock off 75 pesos or 5.6 per cent at 1,275 pesos. The composite index fell 47.97 or 1.8 per cent to 2,657.01. Turnover was moderate at 1.47bn pesos.

The property sector continued to come under pressure following the recent land auction, with profits being taken on companies belonging to the winning consortium: Metro Pacific dropped 7.1 per cent to 3.25 pesos and Filinvest Land 4.4 per cent to 8.60 pesos.

BANGKOK saw foreign selling of many sectors, including banking, finance and telecommunications, but bargain hunters came in before the close. The SET index shed 22.00 or 1.6 per cent to 1,325.99. Turnover amounted to Bt4.3bn.

Bangkok Land suffered a midsession loss on unconfirmed reports that it had not been awarded the contract to build the 1998 Asian Games sports complex. The government later said it would grant part of the contract to the group and, after falling to Bt56, the stock ended Bt4 off at Bt58.

TAIPEI experienced weakness in the cement sector, which was largely attributable to profit-taking. Sentiment was also hurt by news that nine brokerages had reported T$342m in payment defaults.

The weighted index fell 112.20 or 1.63 per cent to 6,756.88. Turnover expanded to T$64.7bn from T$49bn.

HONG KONG reversed heavy early losses as futures-linked institutional buying surfaced around the 7,400 Hang Seng index level. It closed a net 12.84 up at 7,541.72 after a day's low of 7,365.06. Turnover rose to HK$4.1bn from HK$2.6bn.

SHANGHAI's B share index slipped 1.1 per cent to a one-year low, taking its lead from the weak Hong Kong performance and in reaction to higher interest rates for fixed asset investment introduced by the People's Bank of China at the start of the year.

The dollar-denominated index of shares available to foreign investors eased 0.68 to 59.31 in volume of 5.2m shares.

The B market has been falling since mid-September, surrendering more than 40 per cent of its value, due to the market's rapid expansion and lower overseas markets.

KUALA LUMPUR tracked the early fall in Hong Kong as foreign funds sold holdings, but some of the losses were recouped in late dealings as the Hang Seng index rallied. The composite index finished 13.67 lower at 923.38.

SEOUL, following recent sharp gains, encountered profit-taking which cancelled an early advance. Trading was generally featureless. The composite index lost 4.87 at 993.45, off a day's high of 1,006.33.

BOMBAY was 2.2 per cent down on further sustained selling by foreign funds amid a lack of buying interest by domestic mutual funds. The BSE 30 index declined 80.86 to 3,630.34. SINGAPORE weakened as foreign institutions sold stock to meet redemptions. The Straits Times Industrial index fell 44.46 or 2 per cent to 2,137.20.

COLOMBO saw profit-taking after the 3.3 per cent advance of the previous two sessions which followed a government pledge to sell stock in state-owned ventures. The all-share index shed 5.59 to 1,033.27.

SYDNEY failed to maintain early gains and the All Ordinaries index closed 3.2 down at 1,855.7 after touching 1,865.6.

Turnover was moderate at A$297m, but boosted by options-linked dealings.

WELLINGTON was one of the region's exceptions, rising on strength in the forestry sector. The NZSE-40 Capital index added 12.82 at 1,924.16.

FT-ACTUARIES WORLD INDICES QUARTERLY VALUATION

The market capitalisation of the national and regional markets of the FT-Actuaries World Indices as at DECEMBER 30, 1994 are expressed below in millions of US dollars and as a percentage of the World Index. Similar figures are provided for the preceding quarter. The percentage change for each US dollar index value since the end of the calendar year is also provided.

NATIONAL AND REGIONAL MARKETS (number of lines of stock)	Market cap. as at 30/12/94 (US$m)	% of World Index	Market cap. as at 29/09/94 (US$m)	% of World Index	% chge in $ index since 31/12/93
Australia (68)	143416.0	1.53	143034.8	1.52	2.85
Austria (16)	13124.7	0.14	13166.6	0.14	-1.21
Belgium (35)	64811.4	0.69	62714.8	0.66	3.56
Brazil (28)	49555.3	0.53	-	-	-
Canada (103)	148231.4	1.58	158283.9	1.68	-4.71
Denmark (33)	34158.0	0.36	33876.5	0.36	1.86
Finland (24)	28420.9	0.30	27046.5	0.29	50.94
France (102)	330459.2	3.52	309873.7	3.28	-7.06
Germany (58)	339406.8	3.62	324845.8	3.44	2.16
Hong Kong (56)	164872.0	1.76	198228.7	2.10	-33.35
Ireland (14)	14819.8	0.16	14337.9	0.15	11.35
Italy (59)	133166.7	1.42	143662.1	1.52	9.76
Japan (468)	2747310.7	29.27	2791063.4	29.58	20.60
Malaysia (97)	100732.7	1.07	117561.9	1.25	-18.06
Mexico (18)	51642.1	0.55	82576.7	0.88	-40.69
Netherland (19)	181522.8	1.93	184798.2	1.96	8.83
New Zealand (14)	18862.8	0.20	18645.3	0.20	3.75
Norway (23)	10812.8	0.12	9882.5	0.10	16.66
Singapore (44)	56807.3	0.61	57522.6	0.61	1.50
South Africa (59)	130244.8	1.39	120264.5	1.27	26.04
Spain (38)	91887.2	0.98	91359.8	0.97	-5.30
Sweden (36)	85635.3	0.91	81832.7	0.87	17.69
Switzerland (47)	225084.2	2.40	218740.4	2.33	3.15
Thailand (46)	20682.8	0.22	-	-	-
United Kingdom (204)	905133.1	9.64	900106.3	9.54	-4.98
USA (513)	3296046.9	35.11	3329944.9	35.30	-1.13
Americas (662)	3545475.7	37.77	-	-	-
Europe (708)	2458452.8	26.19	2417233.6	25.62	-0.37
Nordic (116)	159027.0	1.69	152638.1	1.62	18.49
Pacific Basin (793)	3252704.5	34.65	3326056.7	35.25	18.26
Euro-Pacific (1501)	5711167.1	60.84	5743290.3	60.88	7.11
North America (616)	3444278.4	36.69	3488228.8	36.97	-1.29
Europe Ex. UK (504)	1553319.8	16.55	1517127.3	16.08	2.63
Pacific Ex. Japan (325)	505393.8	5.38	534993.3	5.67	-16.92
World Ex. US (1709)	6090830.7	64.89	6104415.3	64.70	6.33
World Ex. UK (2018)	8481744.5	90.36	8534253.9	90.46	4.49
World Ex. Japan (1754)	6639566.9	70.73	6643296.8	70.42	-2.43
The World Index (2222)	9386877.6	100.00	9434360.2	100.00	3.50

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY JANUARY 9 1995								FRIDAY JANUARY 6 1995					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (68)	164.80	-0.6	157.18	105.02	133.14	143.62	-0.2	4.01	165.73	158.17	106.12	134.20	143.85	189.15	181.21	169.88
Austria (16)	178.40	-1.5	170.15	113.69	144.12	144.38	-1.1	1.12	181.07	172.80	115.94	146.62	145.96	198.89	167.46	185.74
Belgium (35)	167.13	0.1	159.40	106.51	135.02	131.90	-0.1	4.16	167.01	159.38	106.94	135.23	132.04	177.04	160.76	165.71
Brazil (28)	138.51	-5.4	132.10	88.27	111.90	215.44	-4.7	1.05	146.37	139.69	93.72	118.52	226.05	-	-	-
Canada (103)	127.60	-0.1	121.69	81.31	103.06	129.64	0.1	2.66	127.73	121.89	81.78	103.42	129.65	145.31	120.54	139.41
Denmark (33)	253.34	0.2	241.62	161.44	204.66	210.61	0.1	1.41	252.74	241.20	161.83	204.65	210.39	275.78	238.61	255.89
Finland (24)	192.50	2.1	183.60	122.66	155.51	193.68	2.7	0.71	188.59	179.98	120.76	152.71	188.55	201.41	131.72	131.72
France (102)	161.24	-0.8	153.78	102.75	130.25	135.71	-1.0	3.16	162.51	155.09	104.06	131.59	137.03	185.37	159.34	179.90
Germany (58)	139.76	0.5	133.30	89.06	112.90	112.90	0.2	1.84	139.11	132.76	89.08	112.64	112.64	150.40	126.37	137.62
Hong Kong (56)	297.67	-2.6	283.91	189.70	240.48	296.41	-2.6	4.20	305.60	291.65	195.68	247.46	304.41	493.01	297.67	455.54
Ireland (16)	209.11	-0.8	199.44	133.26	168.94	191.58	-0.9	3.33	211.02	201.39	135.12	170.87	193.27	216.80	177.56	201.28
Italy (59)	73.94	-2.1	70.52	47.12	59.74	90.02	-2.1	1.76	75.53	72.08	48.36	61.16	91.91	67.78	95.87	68.43
Japan (484)	152.26	-0.1	145.22	87.03	123.01	87.03	-0.6	0.76	152.37	145.42	87.56	123.38	87.56	170.10	133.55	133.55
Malaysia (97)	454.61	-2.7	433.49	289.65	367.19	446.86	-2.6	1.88	467.06	445.74	299.06	378.20	458.96	594.76	430.71	570.50
Mexico (16)	1221.90	0.9	1165.38	778.67	987.11	6880.21	-5.9	1.49	1210.92	1155.63	776.35	980.51	7309.26	2647.06	1197.96	2457.89
Netherland (19)	215.34	0.2	205.39	137.23	173.97	171.25	0.0	3.37	214.99	205.18	137.89	174.09	171.28	223.30	191.28	203.69
New Zealand (14)	70.18	0.6	66.94	44.72	56.70	58.51	0.6	5.00	69.79	66.61	44.69	56.51	58.17	77.59	62.05	68.74
Norway (23)	207.47	0.4	197.87	132.21	167.60	181.11	0.2	1.73	206.72	197.28	132.36	167.38	190.77	214.65	177.53	189.01
Singapore (44)	364.80	-1.8	347.93	232.47	294.71	244.13	-1.9	1.76	371.42	354.47	237.82	300.76	249.84	401.38	294.66	361.04
South Africa (59)	325.67	-1.5	310.61	207.54	263.10	290.42	-1.2	2.27	330.70	315.60	211.75	267.77	293.82	342.00	205.55	280.26
Spain (38)	126.51	-1.4	120.66	80.62	102.20	128.26	-1.4	4.52	128.38	122.52	82.20	103.95	130.10	166.79	126.51	138.43
Sweden (48)	235.43	0.2	224.54	150.03	190.20	262.09	0.2	1.49	234.92	224.20	150.42	190.23	261.65	242.81	196.70	209.39
Switzerland (47)	164.82	0.0	157.20	105.04	133.15	133.18	-0.3	1.63	164.78	157.26	105.51	133.49	133.54	176.56	149.91	166.68
Thailand (46)	154.73	-1.4	147.58	98.61	125.00	151.04	-1.3	2.52	156.95	149.79	100.50	127.09	153.06	-	-	-
United Kingdom (205)	192.96	-0.2	184.05	122.98	155.90	184.05	-0.3	4.18	193.36	184.53	123.81	156.57	184.53	214.96	181.11	208.24
USA (513)	188.59	0.0	179.87	120.18	152.35	188.59	0.0	2.94	188.63	180.02	120.78	152.74	188.63	196.04	178.95	191.14
Americas (662)	174.11	-0.1	166.05	110.95	140.65	145.86	-0.1	2.89	174.24	166.29	111.57	141.09	146.07	-	-	-
Europe (723)	167.08	-0.2	159.35	106.47	134.97	149.71	-0.3	3.11	167.49	159.84	107.24	135.61	150.24	178.58	160.89	172.34
Nordic (128)	228.09	0.5	217.54	145.35	184.26	216.03	0.6	1.38	226.87	216.51	145.26	183.70	214.77	233.91	197.70	200.46
Pacific Basin (809)	158.61	-0.3	151.47	101.21	128.30	105.34	-0.7	1.16	159.33	152.06	102.02	129.02	106.09	176.86	145.89	147.16
Euro-Pacific (1532)	162.15	-0.3	154.66	103.34	131.00	122.83	-0.6	2.00	162.63	155.21	104.13	131.89	123.52	175.14	155.32	157.50
North America (616)	184.61	0.0	176.26	117.77	149.30	184.55	0.0	2.93	184.85	176.41	118.36	149.68	184.57	192.73	175.67	187.92
Europe Ex. UK (518)	149.53	-0.3	142.61	95.29	120.80	129.41	-0.4	2.48	149.93	143.08	96.00	121.40	129.94	158.12	144.12	149.46
Pacific Ex. Japan (325)	225.46	-1.8	215.04	143.68	182.14	196.32	-1.7	3.36	229.52	219.05	146.97	185.86	201.88	291.75	224.17	277.07
World Ex. US (1740)	162.98	-0.3	155.44	103.86	131.67	126.14	-0.6	2.01	163.54	156.07	164.71	132.42	126.93	176.65	157.81	159.95
World Ex. UK (2048)	168.22	-0.2	160.44	107.20	135.90	141.35	-0.4	2.14	168.61	160.91	107.96	136.53	141.96	178.59	164.27	165.55
World Ex. Japan (1769)	181.95	-0.3	173.53	115.95	146.99	173.61	-0.3	2.98	182.48	174.15	116.84	147.76	174.23	195.20	176.34	189.73
The World Index (2253)	170.40	-0.2	162.52	108.59	167.66	145.20	-0.4	2.34	170.79	162.99	109.36	138.29	145.90	180.80	166.19	169.35

Latest prices were unavailable for this edition.